The Outlook

Signs of Business Progress — Foreign Credits — Should Banks Control Business?—Delay on the Tariff—The Market Prospect

THE fact that the business and financial community is inclined to disregard the railroad strike situation in the belief that it will wear itself out within a reasonable time, even at the worst, has been reflected in the substantial ability of the financial markets to maintain themselves. Prices have in fact been unexpectedly good. This must be regarded as the outcome of the distinct business improvement.

One of the most encouraging features of the situation has been the ability of the railroads to maintain their traffic, as indicated in carloadings, while their earnings have also been unexpectedly good. Another decidedly favorable element in the present outlook has been the resumption of dividends by some concerns and the improvement of earnings surpluses by others to a point at which the payment of dividends is obviously within easy reach. Failures have notably fallen off within the past few months, and there seems no reason to doubt that with moderately encouraging political conditions there will be a steady advance in prosperity.

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FOREIGN CREDITS

ONE matter which is being very seriously taken under advisement by the financial community is the policy that should be pursued with respect to foreign credits. Since the situation in Germany became acute, there has been a falling off in the amount of business with that country, and this has tended psychologically to affect the extension of credit to other countries. We have continued ever since the opening of the year, to absorb a very large volume of foreign securities, but after all these are only a fraction of the issues which would have been placed here, had conditions favored, while, on the other hand, the extension of commercial credits has been almost out of the question, certainly upon any large scale that would correspond to real foreign needs. It is difficult to see how any final solution of this matter can be reached until foreign political conditions are more settled.

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BANKS IN CONTROL OF BUSINESS

AN interesting illustration of the way in which bankers sometimes get into control of business against their will has been afforded by the recent sale at auction of a large block of the stock of a well-known motor company. This stock had been hypothecated by its owner to secure loans which he had obtained from the banks. A sale of the stock in the ordinary way would have resulted in breaking prices very seriously. Hence, for this as well as for other reasons of a legal nature, the sale of the stock and its purchase, apparently by the banks themselves either for their own account or for that of some customer.

It now becomes necessary to find some way of unloading the stock, or in other words of getting it out of bank portfolios and into the hands of buyers who are interested in operating the concern. Thus it is essential to have the banks find a man who wants to go into this particular kind of motor manufacture, and in order to do so they may have to "set him up in business." Obviously this is not a good kind of banking operation. Recent developments indicate that the object has been accomplished and the stock distributed, perhaps without loss. That does not alter the fact that it is not desirable to have banking institutions in a position where they must become practically the owners of a commercial enterprise. This principle holds true of ordinary business loans, though unfortunately there are from time to time occasions when commercial disaster compels it to be disregarded. There is no good defense of such a condition when it developed as a result of purely speculative transactions.

TARIFF DELAYS

AFTER various delays and proposals to postpone tariff action, in the hope of getting an agreement for a date unanimously accepted as the time for voting, the actual future of the pending tariff bill still remains uncertain. Probably, however, it will come to a vote in the Senate within a month or less. Should it be passed in the Senate, as it doubtless will, this, however, is far from entirely disposing of the question. It is already clear that very strong pressure will be brought to bear upon the President to induce him not to assent to the immediate adoption of the measure. Unquestionably, he could bring about the postponement of it until after election, should he choose to do so by encouraging an adjournment during the time that the conferees are working on the measure.

The truth is that the tariff has already proven itself extraordinarily unpopular, and that members of the Senate are recognizing this fact. The outside party leaders already know it, and are desirous of seeing the whole business deferred to a future date. On the other hand, the executive has not been able fully to gauge the tariff sentiment of the country until recently, but evidences of the distaste which the new schedules have evoked have been so obvious as not to permit their being overlooked. There is, therefore, some reason to believe that the whole matter may be shelved, although the old-line leaders in both Houses of Congress still protest that nothing of the kind is likely to occur. Industrially and financially speaking, it would be a good thing to postpone tariff action until such time as a great many more facts were available to show what duties are actually required in view of the changing conditions of European trade and industry.

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THE BRITISH DEBT NOTE

THE British Government, in sending to the Allies a note composed by Mr. Balfour in which it proposes a plan for debt cancellation and for the revision of reparations, has taken a forward step which undoubtedly marks an era in the discussion of international economic relations. Thus far, in practically all of the conferences that have occurred, including those at Genoa and the Hague, there has been a tendency to avoid the discussion of debt relationships or even to rule them out of the programme absolutely. That being the case, expert observers have thought that there was but little prospect of a genuine settlement of disputed issues, because of the fact that these so obviously depended upon the adjustment of debt relationships for their equitable settlement.

The mere fact that the subject is admitted to discussion, and that it is indeed being considered at the Allied conferences now going on in London, is a hopeful factor. More important even is the circumstance that the plan suggested by the note was itself inclusive and generous, recognizing the truth that it is more important to bring about a better state of international trade and finance than to secure a technical repayment of funds upon conditions which perhaps might result in damaging the ability of Germany to pay, even further than has up to date been the case. It is a regrettable fact that this official suggestion for a thorough discussion of the situation has not been favorably received, either in the British or American press, or on the part of American public officials.

THE GERMAN CRISIS

MEANTIME the German situation has shown unmistakable symptoms of crisis. The decline of the mark to little more than 11/100 of one cent indicates the exchange situation in a general way, but actual internal conditions in Germany are even more threatening than is thus suggested. Wages and prices have undergone a terrific rise within the past two weeks, and all economic arrangements have been correspondingly deranged, with a like amount of disturbance to the community as a whole, and eventually to the foreign trade of Germany. The danger that conditions like those in Austria, and perhaps in Russia, will develop, destroying the German economic system is obviously real; and, should such danger become acute, there is ground for fearing that it might spread to the social and political structure of the country as well.

* * *

OUR AGRICULTURAL WEALTH

ACCORDING to the latest figures of the Department of Agriculture, there is now to be expected a crop yield for the current year whose worth is estimated at $7,134,854,000, an indicated increase over 1921 of about $1,200,000,000. In some branches the yield seems to be certain to be record-breaking. This situation is fundamentally important from the standpoint of the consumer. How far it will enable the farmer to command manufactured goods depends in no small measure upon the general movement of prices. At present, export conditions are not satisfactory and the foreign situation does not promise an exceptionally good demand for farm products during the current year. The disturbed exchange conditions and the uncertainty that marks all European enterprises are together responsible for much of this doubt. It is to be feared also that the pending tariff legislation may raise prices of goods while cutting off the farmers' foreign market. All this is still to be ascertained.

Meanwhile, the real wealth of the country has been actually increased and the question whether it will accrue to its actual producers is a matter of national policy. It is to be hoped that in the event of a loss of foreign markets there will be no further outbreak of the insincere agitation which seeks to attribute the situation to financial manipulation. Nothing is more important to the financial community than to have our products regularly exported in large quantity and as regularly paid for.

* * *

THE MARKET PROSPECT

THE underlying strength of the market and its strong resistance to pressure, furnish proof of the fact that investors are disregarding the present apparently serious, although of necessity, temporary, influences of the coal and railroad strikes. They are steadily absorbing sound securities of every class. It is surprising what a large number of these are still selling at prices which assure liberal yields for a long time to come and there is no reason to anticipate any cessation in this demand. Although interrupted during June and July, this buying power is now reasserting itself and will doubtless continue to increase as the vast wealth of the nation is taken from the ground in the form of this year's enormous crops.

Monday, August 14, 1922.

Methods That Produce Profits in The Stock Market

An Exclusive Interview With

JESSE L. LIVERMORE

EVERY class in organized society or organized industry has its leaders—its conspicuous figures, who combine in the fullest sense the attributes of their particular class.

These leaders are not selected by popular vote. They are not *selected* at all. They reach the highest ranks through their own individual efforts, battling their way against whatever odds appear, redoubling their efforts when the inevitable setbacks occur.

Some of these leaders get there, as the saying goes, more quickly than others; some rise by more brilliant tactics. But, irrespective of how long it takes any of them to arrive, they no sooner definitely do arrive than their fame spreads almost like flashes of light into every nook and cranny of the reading world. An enterprising press, incessantly on the lookout for new idols to set before the public, does the trick.

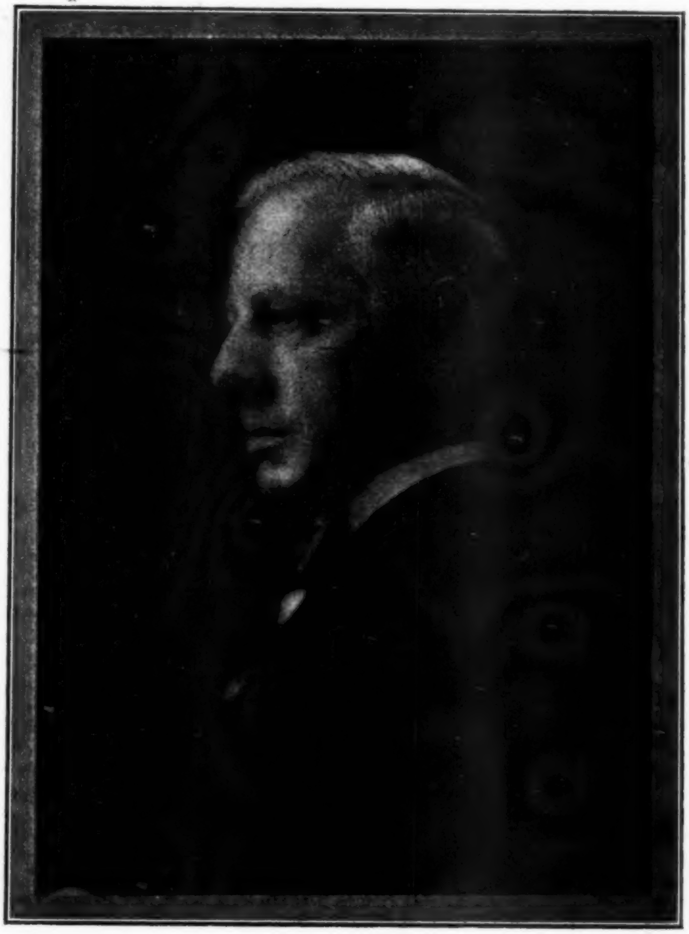
National Figures

Thus all of us have known Gary, Schwab, Farrell and Corey since they first became leaders in the steel trade; all of us have known Samuel Rea, Alfred Smith, Howard Elliott and Judge Lovett since they first became factors in railroading; in banking, J. P. Morgan, Otto Kahn, Charles F. Sabin and Frank A. Vanderlip—their names have been bywords for years. The list could be spun out indefinitely.

The press, which has made the achievements of these leaders common property has, in nearly every case, done the same thing with their methods, their principles and beliefs. To feed the public's insatiable interest in these men's innermost views their opinions have been demanded on nearly every controversial question under the sun—and in some cases obtained. Scarcely one of them has kept himself to himself, even among the very few who so desired.

There are exceptions to every rule, however; and there is a glaring exception to this one. For the man who towers head and shoulders above all others in one particular field—the man who is almost the sole leader of that field—has successfully evaded publicity in the past, and has kept himself very definitely to himself. This man's reticence has been all the more impressive because of the nature of the field he dominates, one which interests a far greater section of the public than any other, and one in which far greater numbers actively participate. He is the one man in the one field that most people would rather hear talk than anybody else.

The field referred to is that of active speculation in securities. The dominant leader of the field, as everybody knows, is Jesse L. Livermore.



Jesse L. Livermore

Livermore started trading in securities when he was fourteen years old. He made his first thousand when a mere boy. He has practised every device known to the active speculator, studied every speculative theory, and dealt in about every active security listed on the New York Stock Exchange.

An Engrossing Figure

He has piled up gigantic fortunes from his commitments, lost them, digested the lessons learned, started all over again—and piled up new fortunes.

He has changed his market position in the twinkling of an eye—sold out thousands of shares of long stock, and gone short of thousands of shares more on a decision which required reading only the one word, "but," in a lengthy ticker statement.

If his later experiences were not enough to catch the public fancy, Livermore would have won it by his greatest feat of all: beating the bucket shops.

Beating the cheaters, in fact, was Livermore's pet plan after things had gone against him and he was forced to start anew on a small-lot basis.

Until of late, Livermore has maintained absolute silence when questioned about his past operations. Perhaps it was because he did not want to lead the casual, poorly prepared investor into the arena where only master students survived.

It is not his custom to brag about himself, but no doubt he felt that the methods worked out at the cost of a lifetime of battering, courage-straining effort were not lightly to be tossed into the amateur's lap.

Mr. Livermore's willingness to be quoted in THE MAGAZINE OF WALL STREET has been in part influenced by the work the Magazine has done in the past in shedding light on Wall Street's ways, Wall street's men, their theories and methods—in real educational work which has led to more intelligent operating

methods being employed by the public.

On the eve of departure for a European vacation he stated that in his opinion the long trend of the market is still strongly upward, although until the coal and railroad strike situations and their aftereffects are clearly foreshadowed there may be merely a trading market with special moves in individual stocks in one direction or the other. But the main trend should continue in an upward direction for several months and perhaps well into next year.

Getting Back to Normal

"We are gradually getting back to a normal period," said he, "and it is very important that investors rid themselves of their war-time psychology. Stocks that moved from fifty to hundreds of points during the war under the stimulus of tremendous earnings and large dividends should not be expected to enjoy such wide swings during the next few years. People should forget that stocks like Bethlehem Steel and General Motors sold at hundreds of dollars per share, for when they consider the causes that led to such high prices they will see that those days have gone, perhaps forever.

"The most intelligent way to get one's mind attuned to the market conditions which may be expected from now on is to think back to the character of the market which prevailed before the war. At that time not all groups of securities were moving in the same direction. They rose and fell according to the state of the industries which they represented—some up and some down at the same time. The fact that under war-time influences practically all stocks moved in one direction under the one dominating impulse does not mean that they are going to do so now; hence, anyone who wishes to be successful must make a deep study of the industries in order to be able to distinguish the good from the bad, get long of those which are in a promising position and get out of those which are not.

"During the war, while industrial securities advanced to unheard-of levels, the public utilities and standard rails which were, prior to that time, the cream of the investment list, declined to figures that had not been seen in a generation.

"Now, common sense should prove to investors that such conditions cannot continue and that sooner or later the railroads and the public utilities will come back into their own, and many industrials selling ex war stimulus will not be able to show such great earnings or sell at their former high prices.

Solid Investments

"Having set aside war markets and methods of reasoning, the public should now see that the best opportunities for investment are in the best investments. With a 3% and 4% money market there is no reason why high grade common stocks which are earning two or three times their dividend rate and which were able to continue to make money and pay substantial dividends during the 1920-21 depression should sell on any such basis as many of them are selling. We find some stocks now paying 10% and 12% selling under 150, whereas in former years many issues, like Delaware & Hudson, Chicago & North Western, Great Northern preferred and others, paying 7% to 9%, sold at $160 to $200 a share. It was not unusual to see such securities selling on a 5% basis. Some of these stocks can now be bought at prices which will yield 7% to 8%; but when the market adjusts itself to the investment return which should prevail under these money conditions, there should be a very marked increase in the prices of these solid investment stocks.

"I regard it of great importance to call the attention of the readers of The Magazine of Wall Street to this fact, because it has been shown time and again that in Wall Street people very often fail to see the thing that is right under their nose. We now have millions of people interested in the security markets, where there were only thousands in former years; and I cannot emphasize too strongly the importance of the utmost discrimination in the purchase of securities at the present time. One of the greatest mistakes inexperienced investors make is in buying cheap securities just because they are selling at a low price. As a matter of fact, price is not always an indication of cheapness, because non-dividend paying stocks have a certain speculative value that usually causes them to sell at more than they are worth on the basis of either their earnings or possible initial dividends. While it may happen that in many instances stocks advance from $30 to $40 a share to well above par, a very much greater proportion of these low-priced stocks have sunk into oblivion by going into receivership, or else they have struggled along striving to make both ends meet for years and years, with only the faintest prospects of ever paying a return to their stockholders.

"In selecting securities it is only necessary for an investor to determine which industries are in the strongest position, which are less strong and which are comparatively weak, very weak, etc. For example: the railroad equipment companies are now in a very strong position. For many years the railroads have been obliged to economize. There was a poor market for railroad securities—hence difficulty in raising capital for expanding the supply of rolling stock. Now that is changed. We have easy money, and the railroads are coming back into favor—coming back rapidly. They are floating great quantities of equipment trusts, which means that they are spending this money for locomotives and cars. The equipments cannot escape prosperity.

"Leading railroads are in a strong position. Take stocks like New York Central and others that are now rolling up big earnings: No one should expect them to stay at these levels.

"Public utility securities are getting back to where they belong, because their operating costs have come down and there is once more a fair margin of profit. Meanwhile their communities have grown and the demand for power, heat, light and transportation has increased, so that earnings are again beginning to pile up to totals exceeding those recorded before the war.

"I consider the copper stocks in a promising position. The surplus production has been practically absorbed and the mines are beginning to get into operation again. This takes several months, but we are approaching an age of electrical construction on an enormous scale, and as there is no efficient substitute for copper in this field, a great demand for the red metal is certain to ensue, with corresponding advances in earning power, dividends and market prices of the best copper shares.

"The tire industry is in a weak posi-

SALIENT POINTS BROUGHT OUT BY JESSE L. LIVERMORE IN HIS REMARKS ON STOCK MARKET METHODS

Forget about war-times and remember that we are entering a period of normal conditions.

A knowledge of the history of the stock market in the period previous to the war will prove invaluable to investors.

Conditions alter the character of securities. Investment success depends on an intimate knowledge of all conditions affecting securities.

Do not invest in securities representing weak industries or industries on the verge of a downward movement.

Stick to the strong industries and pick out the strongest securities in those industries. Especially favor industries that are in an improving position.

Do not tie up your funds but keep them so that you may be able to take advantage of opportunities as they come along.

It is just as important to know which kind of security to avoid as it is which to buy. Be discriminating to the utmost.

Knowledge and patience are the key-note of success in investing.

tion. The production of tires is enormous, but we are in a period of more highly competitive conditions. One company makes a good tire by a more economical process, and the other companies have to cut prices to meet this competition. Hence, we have a period of doubtful earnings in this industry.

Avoid the Weak Industries

Many investors do not discriminate between strong and weak industries and in failing to recognize these essential differences they place themselves in a position to lose many excellent investment opportunities. As Mr. Livermore says:

"I find it best to avoid the weak industries entirely. I should particularly avoid the lower-priced stocks that have not a firm financial foundation, because when a declining movement does set in securities representing these weak industries are the first to go and they recover only with the greatest difficulty. Thus, we should avoid getting hung up with these cheap stocks, such as the low-priced tires and cheap American oil stocks. I would also avoid companies that are poorly financed, for without ample working capital such concerns will have a hard row to hoe under severe competition.

"Just as I would avoid the weak industries and the weak stocks, so I would favor the strongest industries and the strongest stocks, such as equipments, leading rails, best public utilities and copper issues of the highest grade. I would choose these industries because they face a most promising future so far as can be seen under present conditions. We must be able and willing to revise our forecasts in the light of developments that come to hand from day to day, but just now I cannot see anything that will interfere with the rising tendency of earnings, dividends and prices in these groups.

"In making selections of securities, investors should remember that the demand does not break out in all commodities at the same time. Everything has its season, and it is very important that this should be taken into consideration. For example, as everyone knows, the best season for the motor and tire stocks is in the spring and summer. The stock market generally discounts this activity a little in advance. It would be illogical to expect these stocks to continue to advance after their best season is over.

"Conditions that affect one group of stocks favorably might be precisely the ones to affect others unfavorably. We have seldom had better conditions for railroad equipment stocks. These are rapidly getting into the investment class. Issues like American Sugar Refining and Sears, Roebuck & Company were formerly considered prime investments. Now they are in a speculative position, while the equipments, which were formerly in that class, are gradually forging ahead to an investment position. In my opinion the equipment stocks in years to come will have an investment rating comparable to the former rating of American Sugar Refining and Sears Roebuck.

"Thus it will be seen that there are fashions as well as seasons in investments. Conditions change, and one has not only to keep pace with the changes, but to look forward and see what changes are likely to occur six months to a year hence. Unless an investor does this he will soon find himself in the painful position of being hung up with a lot of stocks that have gone over the top and turned downward. He will find his funds tied up so so that he can't use them.

"Investors should insure themselves against such a situation by not plunging in the cheap stocks, but by keeping the principal portion of their funds liquid so that when a good investment issue comes along they will be in a position to take advantage of it. Perhaps nothing has so interfered with the proverbially poor success of the public in the investment market as this fact—that it does not keep its investment and speculative funds in proper circulation. The public is usually in a loaded-up or tied-up condition. Tell the public that stocks like Great Northern may advance a few points a month and do you find them interested? No, they want something that moves more quickly. Yet in a few months we will probably wake up to see Great Northern selling twenty points higher (at the time he said this it was 83), and the cheap stocks which they bought selling at less than the prices paid for them.

"Tell your readers that there is no magic about success in the stock market. That the only way I know for anyone to succeed in his investments is for him to investigate before he invests; to look before he leaps; to stick to the fundamentals and disregard everything else.

"No man can succeed in the market unless he acquires a fundamental knowledge of economics and thoroughly familiarizes himself with conditions of every sort—the financial position of a company, its past history, production, as well as the state of the industry in which it is engaged, and the general economic situation.

Essentials to Success

"Essentials to stock market success are knowledge and patience. So few people succeed in the market because they have no patience. They want to get rich quickly. They are not willing to buy when a thing goes down, and wait. They buy mostly when a thing is going up, and near the top.

"In the long run, patience counts more than any other element except knowledge. The two really go hand in hand. Those who want to succeed through their investments should learn that simple truth. Also this, investigate before you buy and then you are sure that your position is a sound one. Don't let yourself become discouraged by the fact that your securities are moving slowly. Good securities in time appreciate sufficiently to make it well worth while to have patience, especially in a bull market like the present one.

"Think in terms of the industrial outlook; choose the strongest company in the strongest industry, and do not buy stocks on hope alone.

The only time to buy is when you *know* they will go up."

In the September 16th issue there will appear the first of a series of analyses of the methods recommended and discussed by Mr. Livermore in this interview. This series will be written by the editor of THE MAGAZINE OF WALL STREET, Richard D. Wyckoff, who is recognized as probably the foremost authority on investments and investment methods.

Mr. Wyckoff, who recently disclosed to the public his own methods—in his book "How I Trade and Invest in Stocks and Bonds"—is peculiarly qualified to dissect and discuss Mr. Livermore's views. Mr. Livermore has been considered for years a "plunger," a spectacular trader, a stormy petrel on the sea of finance, while Mr. Wyckoff has been the foremost advocate of the application of scientific methods, of intensive study, of cold, calculating analysis in both investment and trading. The interview with Mr. Livermore now discloses him as more nearly in accord with Mr. Wyckoff's views than has been believed by the public, and Mr. Wyckoff's articles will therefore be of even greater value and importance.

Is Public Buying Power Increasing?

How the Investment Market Depends on Labor's Wage

By ETHELBERT STEWART

Commissioner of the Bureau of Labor Statistics, U. S. Department of Labor
As Reported by Theodore M. Knappen

ONE of the chief functions of the Bureau of Labor Statistics of the Department of Labor is to appraise the economic status, the material well-being, of the people. It watches and reports the rise and fall in the money cost of living, the wholesale and retail prices of commodities and tells the children of Uncle Sam what their dollars are actually worth in the materials and articles of life. So I turned to Ethelbert Stewart, Commissioner of that Bureau, for the answer to the following questions, in the quest of information as to where the average man stands today as compared with his buying and saving potentialities before the war and at the top of the war boom.

One—What is a living wage?

Two—What is a saving wage?

Three—What is the money income of the average person?

Four—How does the average income stand today in relation to the cost of living, compared with the same relation of other years. Are we better or worse off than we were?

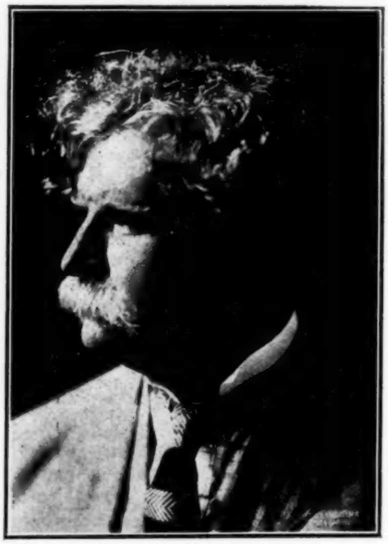
Without attempting to set down the dialogue that resulted from these questions I am contenting myself with summarizing Mr. Stewart's views, it being understood that literal quotation is not attempted.

"Your questions," he said, "cover a vast range, and the information to meet them with is far from precise and, in part, is conjectural and speculative, and our discussion will have to be fragmentary and sort of impressionistic. Yet there is nothing in the economic field that is of more intimate and practical interest than the subject of individual income and its application. It tells the tale of productivity, of distribution of wealth, of the accumulation of capital, of economic well-being and of national prosperity.

Definitions

"Taking up your first two questions, it may be said in a broad way of speaking that the difference between a living income and a saving income—in this connection I prefer the word income to wages, because the latter term is too restricted in its meaning—is the margin of new capital, the investment margin, and comes pretty near telling whether a nation is going forward or backward. **Where there are no new investments or new investors from year to year there is no economic progress. Your investors constitute the thin red line of advancing prosperity.**

"It is not easy to determine what a living income is because there is no agreement on what constitutes a "living." We can say with general approval that a worker ought to live in health, decency and efficiency; and should, therefore, receive the money income, whether numerically large or small, that would meet those requirements. But when we begin to make up this standard budget we encounter difficulties and fall into disagreement. Four years ago an elaborate official effort was made to determine what would constitute a living income for a family of five in Washington. The conclusion was reached that they would require $2,262 a year. A hundred other such inquiries would have given as many different results. But if we assume the Washington figure as being substantially right, and there is but one earner in the family, his income ought to be $2,262. But suppose there are three breadwinners in the family; instantly the living wage becomes something entirely different.



Commissioner Ethelbert Stewart

"I consider these hypothetical calculations of little value, and prefer to consult the records of what it actually costs actual families to live, and from them make deductions as to what a saving or investing income would be. Now, in 1918 this Bureau made a survey of the actual annual living expenditures of more than 12,000 families, distributed in 92 localities, representative of the entire country. These families had cash incomes ranging from $900 to $2,500 a year. We found that they actually spent on the average for a living that included something beyond a bare existence the sum of $1,432.94. They averaged five persons; and you might say, therefore, that if the families are typical of the mass of the nation, as their incomes are, the income of each member of a family should be, for living purposes, $286.57 per capita, i. e., in 1918. In like manner we can establish a per capita living income for other years.

"Now, we took that family figure of $1,433 for 1918 and applied to it the percentages of variations we have established for the various items composing it, back to 1913 and down to 1922. The result speaks for itself. If $1,433 was enough at the highest prices in 1918, $1,773 was only enough at the peak of prices in 1920; $1,425 will do now and $885 was quite enough in 1913.

A Saving Income

"Turning to a saving income, it is apparent that a family income in excess of $1,425 that year, and the corresponding amount in other years, would be such. But what is an adequate saving income? It should be one that would render the worker independent in his declining years and arm him for unemployment and domestic disasters. Let us say that it should represent a capital of $15,000 at the end of 35 years of toil, which would be somewhere around $400 a year. Then $400, added to each of the living incomes figures would give you the respective living wage in money, taking into account the varying purchasing power of the dollar. On today's prices that means $1,825 for our typical family of five; $1,525 in 1921; practically $2,000 in 1920; $1,631 in 1919; $1,432 in 1918, and about $1,300 in 1913.

"When we turn to the actual incomes that are to be set against these actual expenditures, there is some information but little precise knowledge. Australia, I believe, is the only country in the world that takes a census of incomes. Our census merely records the number of persons engaged in gainful occupations; that is, receiving some money income. This Bureau reports rates of pay in certain industries, but is not financially equipped even to ascertain amounts of pay even in them. However, there are some very careful and elaborate calculations of the total of national income, and from them, taking the census number of persons gainfully occupied, we can arrive at an approximation of the per capita money earnings of the 40,000,000 such persons. But it must be remembered that this takes no account of such persons as house-wives, who are certainly

economic producers, though they do not draw wages.

"The National Bureau of Economic Research has recently published a volume entitled Income in the United States, which comes to the conclusion that in 1918 the national income came to a total of $61,000,000,000 and to $66,000,000,000 in 1919, the latest year for which data are available. On this basis the per capita income of the entire population of the country, men, women and children, was $582 in 1918 and possibly $629 in 1919. Similarly, the per capita income in 1913 is calculated to have been $354; in 1916, $446; in 1917, $523; and in 1909, $319. We can guess, for present purposes, at 1920 and 1922 per capita incomes.

"Now, having got the material together, let us see how well we can answer your fourth question. On the data derived from our 12,000 families we can set up figures for per capita living and saving incomes to compare with the estimated actual per capita incomes. Writing it into a table we have the following:

	1913	1917	1919	1920	1922
Per capita Income.	$354	$523	$629	$755	$500
Per capita Living Income	171	237	326	356	285
Per capita Saving Income	571	637	726	756	685
Per capita Savings	183	286	303	390	215
Deficit of Actual to Saving Income	217	114	118	1	185

"On the face of these figures, 1920 was the red letter year and probably it was the best year, but the figures are undoubtedly too large. And 1922 is the worst year since 1913; that is probably true for the first part of it, at least. I haven't even tried to guess 1921, which was a chaotic year, and probably worse than 1922. On the whole, we are probably safe in saying that the mythical average person was better off in 1917 than in 1913 and still better off in 1919 and 1920, **and even now in a better position than in 1913.** In considering these statistics it must be remembered that we are dealing with estimates for the most part and partly with sheer guesses, especially for 1920 and 1922, which I have put in at your suggestion, merely to complete the picture, and do not sponsor. It must also be remembered that we have based our per capita living income and consequently the hypothetical savings income merely on *living expenditures.* Taking the whole field of prices into consideration, the gains would be smaller than our table makes them, but I think there is no doubt that we are better off in saved dollars now than in 1913, though the dollars now deal with prices that are still about 50 per cent higher according to the commodity index than they were in 1913.

"Taking it all in all we are doing well, but we might do better. Our per capita income is the largest of all the nations, but it ought to be larger, and the actual distribution of income ought to be nearer the average. **We are probably saving more dollars on the average than before the war, and have more for investment and new capital.**"

The Business Situation at a Glance

A Mathematical Interpretation of Business Trends as Affecting Securities

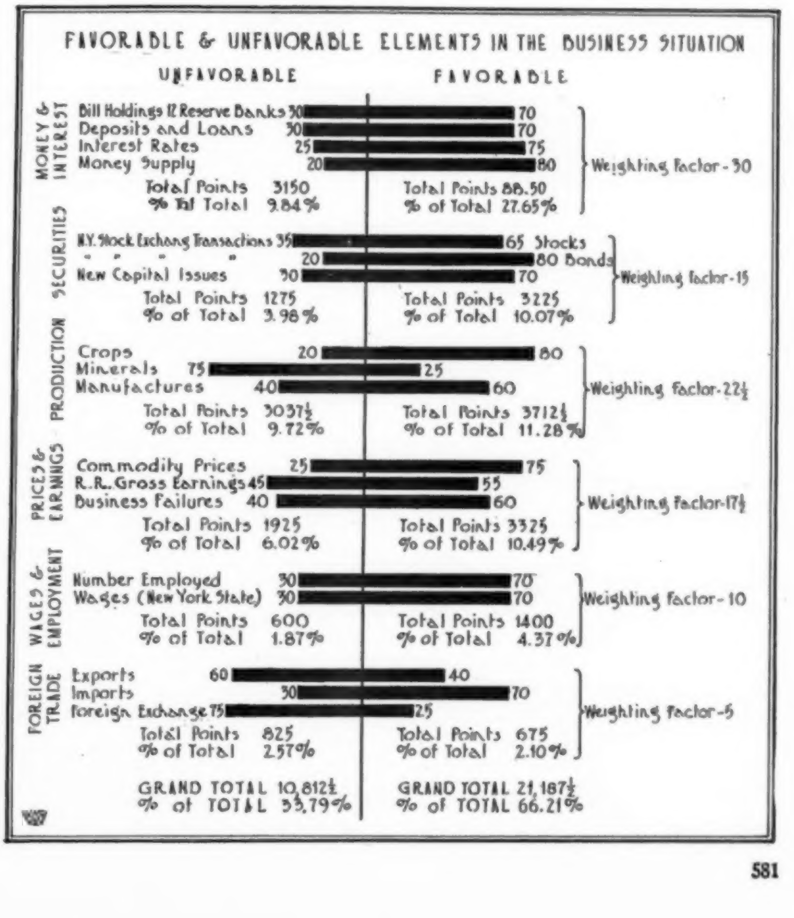
By E. D. KING

No mathematical formula has ever been devised which will accurately determine the trend in business and securities, for the forces determining such trends are themselves incalculable. In this attempt, therefore, the writer lays no claim to discovering an absolute formula of the business trend, for that is impossible, considering that this is an ever-changing and fluctuating world. The attempt has been merely to group together the leading factors affecting business and securities and to roughly calculate their tendencies. By including all of the important factors and by distributing their weight more or less scientifically, the result is to give a fairly complete idea as to the direction in which business and securities are moving.

In the attached chart, all of the principal factors, with their constituent elements, have been listed. Each element, such as bill holdings of twelve reserve banks, deposits and loans, etc., have been given a certain "rating." This rating represents the trend of the particular element. For example, the trend in bill holdings of the twelve reserve banks is regarded as favorable up to 70%, the figure on the right-hand side of the little oblong "box." The figure of 30%, as indicated in the left-hand side of the oblong, is regarded as the extent to which the trend in bill holdings may be considered as unfavorable. While to a certain extent these figures may be regarded arbitrary they are based on the actual known facts, the only arbitrary factor being the emphasis put on the trend itself. For example, the situation with regard to bill holdings might be regarded as so favorable as to justify a rating of 90%, if compared with the situation a year ago. However, considering the fact that bill holdings, despite the improvement therein, are still quite large, to that extent this factor should be regarded as unfavorable. The writer therefore considers that this element is 70% on the favorable side and 30% on the unfavorable side. Space here does not permit an analysis of the method by which each rating was arrived at, but the same principle as in the case of bill holdings has been followed in each case.

The only arbitrary factor is the weighing factor, as indicated along the right-

(*Continued on page* 639)



Investors' Vigilance Committee

Conducted by The Magazine of Wall Street in Cooperation With the Chambers of Commerce and Other Business Organizations

"OUR Board of Directors is anxious to join you in the campaign against fake stock sellers. Please advise us how to enroll."

Almost every mail brings in similar letters from secretaries of business organizations scattered through Maine to California. In the meantime, the work of organizing the central body is proceeding rapidly and within a few weeks will be able to commence functioning. Approximately 100 business organizations have signified their intention of becoming a part of the Investors' Vigilance Committee and it is already evident that THE MAGAZINE OF WALL STREET has brought into existence an organization planned along the only correct line that will insure protection of the small investor.

Samples of the literature and the prospectuses and all the other printed matter employed by the pirates have been coming in from all points of the compass, but thus far nothing that is strikingly new has been received. The sellers of near-securities evidently are convinced that the suckers will bite on the same old bait. Judging from some of the letters received, both from individuals and from Committee Associates, the promoters are right. The suckers are biting.

HOW TO HELP

EVERY reader of THE MAGAZINE OF WALL STREET is interested vitally in the successful operation of the Investors' Vigilance Committee and is in position to render considerable service to the new organization.

Don't throw away the promotion literature that comes to you through the mail. As a reader of the Magazine you may be immune to the high-powered selling arguments of the fake promoter, but there are others who are not. Just mail this literature to the Investors' Vigilance Committee of THE MAGAZINE OF WALL STREET, where it may be placed on file and be of value in warning untrained investors who are not readers of THE MAGAZINE OF WALL STREET, but who are reached through the Investors' Vigilance Committee.

Also: When these itinerant promoters open up in your community get a batch of their literature and send it to the Investors' Vigilance Committee together with a description of the operating methods employed. The source of this information, so far as you are concerned, will be kept confidential if you wish.

Interesting Sidelights

Some very interesting sidelights are thrown on the situation by the reports that are coming in from various parts of the field. In New Jersey there is a secretary of a commercial organization who believes that the work of the Investors' Vigilance Committee should be conducted in such a way as to put nobody—not even THE MAGAZINE OF WALL STREET—to any expense, which is about the same as if he were to suggest that the Chamber of Commerce in his town should be operated without any cost—not even dues to its members—but several days later he writes in to inquire regarding an organization which is selling stock in his community and the answer as dispatched to him in the next mail by this department should save the people in his community many thousands —hundreds of thousands—of dollars.

This is but one instance. Yet there are many secretaries notwithstanding the great number enrolled thus far, who would dismiss the project by saying: "It hardly seems worth while to go to the trouble or undertake any expense in a drive against these swindlers."

Parenthetically, it might be commented that the questionable promotion regarding which the New Jersey secretary asked received a great many columns of publicity only last winter when the authorities of New York and Illinois were after them. It undoubtedly appeared in Associated Press dispatches published in the secretary's own city. But men's memories are short. Hence the necessity of establishing a warehouse, a clearing house, a central information bureau; even though some may not consider the trouble and expense worth while.

Looking over the "bunk junk" the letter carrier has left on our desk, we discover everything from glass that cannot be broken to puncture-proof tires. Reading over the literature we learn how much was made by the lucky young man whose father as a joke bought Eastman Kodak at 5 cents a share. We find out how the lucky holder of $250 worth of Ford automobile stock received as his first cash dividend $250,000. We also read again the familiar story of the wonderful profits paid to those who put their money in Bell Telephone, Horlick's Malted Milk, Mergenthaler Linotype, and so on.

But nowhere do we read, as we should read, that 50 to 60 per cent of the money received by Mr. Ford from his friends did *not* go as profits to the promoter who sold the stock no did Alexander Graham Bell have to whack up fifty-fifty with a crew of strong-armed stock salesmen. The money made by those who encouraged such men as Bell, Mergenthaler, Ford, Westinghouse and Eastman was earned because every cent of it in the first place went into the development of the idea, not to the enrichment of printers—although they are hard-working men and deserve to get along—and crooked promoters.

At the same time, we must remember that for every success such as those enumerated by the stock-sellers, there were probably a thousand or more failures. The pioneering road is a hard one and it is strewn with wrecks. But if among the successes anywhere there is one which began life as the pet child of an itinerant, glib-tongue, conscienceless stock peddler or was the producer of profits for a swindling mail-order promoter, it has escaped our attention, and the attention of everyone else.

Rochester, for Example

Rochester, N. Y., is one of the live cities in which an Investors' Protective Committee has been operating for two years, under the direction of Mrs. A. N. Davis, Secretary. There are 28 Rochester and Monroe County organizations and institutions associated in the Investors' Protective Committee, ranging from the American Federation of Labor to the Rotary Club. Mrs. Davis has impressed upon Rochester investors the importance of considering the difference between the profits made by those who contributed to the development of the telephone, photography or other devices and inventions, and the will-o'-the-wisp gains held out as a lure for the contributions—misnamed stock subscriptions—of the untrained investor.

"Rochester," she writes, "seems to be a Mecca for promoters of all kinds. The literature of these concerns always carries a comparative list of the value of Kodak stock or some other successful company which was once of doubtful value but which has earned tremendous dividends for the investor. Again and again we have pointed out that Kodak stock **or any other stock which has yielded large dividends was never sold by paying 30 or 40 per cent or even higher commissions.** We frequently point out also to the prospective investor that the stock which they are urged to buy may be bought in the open market for one-third or even one-tenth of what they are asked to pay for it."

The mail bag, by the way, also yields a large amount of literature indicating the "unincorporated bank" industry is again thriving in Texas.

Upon the completion of the operating plan of the Investors' Vigilance Committee, which may be looked for within the next few weeks, THE MAGAZINE OF WALL STREET will advise all of the Committee Associates of the manner in which inquiries are to be handled and information exchanged. August is an off-month even for the promoter. Not until after the middle of September will the security-road agents actually begin working overtime. Before then, the Investors' Vigilance Committee will be acquiring scalps for its belt.

Is a Shipping Subsidy Justifiable?

How May We Expect European Countries to Pay Their Debts to Us If We Take Away Their Over-Seas Trade?

By WALTER N. BUFFUM

A ship subsidy will undeniably aid American shipping interests. That it will aid our commerce broadly is another matter, however. The writer of this article bluntly states that a subsidy to our shipping interests is indefensible from a national viewpoint, that it will interfere with the ability of foreign Governments to liquidate their indebtedness to us and that it will affect our foreign trade adversely. These striking arguments against the desirability of a ship subsidy should be carefully pondered.

THE current proposals as to our Merchant Marine will doubtless rejoice shipping circles, relieve some of the anxieties of the Shipping Board and visualize large speculative profits among holders of shipping stocks.

In these circumstances the writer is perhaps over-bold to suggest deterrents. He believes, however, that the proposals for the development of our Merchant Marine are radically inconsistent and glaringly at odds with our professions (so frequently made since the Armistice) that it is our duty to put our shoulders to the wheel and lift Europe out of her present chaotic *impasse*. Whether motived by sentiment or desire to recreate normal consumption of our surplus production there are very few people indeed who do not heartily agree to the abstract proposition that Europeans must be helped and that too in a very large way and as a sort of corollary that in no event must we do anything detrimental to European comeback. **Yet the exploitation of our Merchant Marine will be the most serious blow which we could possibly deliver and may destroy the most important back-log of European stability.** Whether we succeed or fail the result may prove the undoing of more than one of the great industrial nations of the world.

Do We Need a Merchant Marine?

It will be generally conceded that when the London *Statist* makes pronouncements on matters international it does so in detachment and without bias. In a recent issue it says, in substance, that we do not need a Merchant Marine and that in our own interests as well as of others the United States should leave sea-carrying to other nations. The writer believes that the *Statist* is right and that whatsoever the credit side may eventually show in shipping profits must be debited with much larger losses by reason of enormously curtailed exports from this country. In effect we shall be robbing the poor foreign Peter to pay the complacent Paul as an investor in shipping securities while Tom, Dick, and Harry as the holders of stocks of other corporations may experience diminishing dividend returns.

Ex-President Roosevelt once said that "England performs her functions as a public carrier so satisfactorily that it has not been and is not now worth the while of any other nation to compete with her."

Most people overlook the genesis of shipping. Since the time of the Phoenicians necessity and not choice has both created and successfully maintained Merchant Marines. Men do not go down to the sea in ships when there are better chances to be had on land or (as this has been more quaintly put) "no considerable number of people will double the Horn in a wind-jammer if they have a comfortable berth waiting them on shore." Over-population coupled with the imperative need of foodstuffs and raw materials are the proximate causes or origins of a successful Merchant Marine. Hence the Merchant Marine of Japan, of pre-war Germany and above all others that of Great Britain, shipping in her case being "her greatest national asset."

No modern country that has a great abundance of natural resources has ever developed a large Merchant Marine. Hence the sea power of France has waxed and waned to no purpose and hence also in large measure or neglect or lack of interest after the decadence of our shipping at the time of our Civil War.

The United States requires very little indeed in the way of foodstuffs or raw materials from over seas. Rubber, coffee, sugar, and Egyptian cotton are about the only articles of importance. Up to the present time successful maintenance of sea tonnage has been predicated upon outward cargo of manufactures and inward cargo of foodstuffs of raw materials. A profit both ways. It is figured that our foreign commerce equals less than 8% of our domestic commerce. If we succeed then it will be notwithstanding all historical precedents.

A certain school of German thought

(*Continued on page* 625)

THE LEVIATHAN

It is estimated that this ship will draw over $900,000 a year in subsidies if the ship subsidy bill is passed

Foreign Trade and Securities

Financial Europe As I Saw It

Why the French Are So Bent on 100% Execution of the Terms of the Peace Treaty—Industrial Backwardism in France

By MAX GOLDSTEIN

This article on France is the second of a series on Financial Europe by Max Goldstein, who was the Foreign representative of THE MAGAZINE OF WALL STREET during the past two years. After reading this article, one cannot help but understand the persistent desire of the French to collect full reparations from Germany, though their policy, viewed broadly, is not only futile but even if it could be carried out as the French desire would be productive of very little good. The next article will deal with Germany.

JUST as we found that the economic life of England could best be understood by treating it as a country with mainly industrial interests, so the best way to understand France is as the banker of the nations, leaving its industrial and commercial interests in the background for the time being.

The ruling passion of the average Frenchman is to live as economically as he can, take as few risks as he can, save up as much money as he can and put it into good, safe, diversified investments to provide an income for him at the end of his days or to be added to the little family fortune which is handed down, as little diminished or as much increased as possible, from one generation to the other. This attitude is, of course, distinctly favorable to good conservative banking and investment, but is as opposite as can be to the pioneering, road-breaking, Steve-Brodie spirit which made America what it is today.

Practically every Frenchman saves. Talking intimately one day to my janitor I learned that he had been badly hit by the Russian collapse, as he had a few thousand francs' worth of Russian securities which had been guaranteed by the French Government some twenty years ago in the days when France was actively financing Russia. If one puts together my janitor and all the other janitors in France who hold Russian securities and all the cab drivers and shopkeepers and the rest of the "petite" and the "haute" bourgoisie, one will realize what the public opinion is that is preventing the French Government from taking a conciliatory stand like that of Great Britain as to the surrender of pre-war claims on Russian debts.

Reasons for the French Attitude on Reparations

If France loses her investment in Russia, she loses everything without hope of recouping: England, on the other hand, and Germany can afford to give up their Russian investments with the prospects of getting all their money back in a few years by doing business with a revivified Russia. France's exports consist preponderantly of silk and silk tissues, cotton and wool products, perfumes, and wines, articles for which the demand in post-Czaristic Russia is mild, to say the least.

The situation is practically the same with regard to Germany and the reparations question. Frenchmen have told me, "We have been done out of our roubles in Russia: shall we let ourselves be done out of our marks in Germany?" For the money which the French Government has spent on reconstruction in the devastated areas is popularly regarded as an investment which the Germans will have to pay, principal and interest.

The average Frenchman would like to see the reparations question settled in such a way that his Government would derive a permanent "rente," a fixed income for life, from Germany, in the same way that he himself aspires to build up a "rente" on which he can retire for life.

It is doubtful, however, if he realizes the extent to which the financial structure of France depends upon the integral payment of the reparations amount as agreed upon. The whole fiscal and taxation policy of France from 1914 on has been based on the assumption that not only would the Allies win the war, but that France would be able to receive a large reparation amount from Germany. France taxed its citizens less severely than any other of the Allies. For this reason France financed the war for the most part by means of internal and external loans, raising relatively little of its war needs by current taxation. The great motto was, "Le Boche paiera"—more politely, "Germany will pay."

As a result, a large part of the expenses of the war on the French side has been funded in the form of war debts, domestic and inter-Allied, so that today some 55% of the French budget is devoted to the service of the public debt. **Should the German reparations follow the way of the Austrian reparations, toward complete or partial disappearance, the result would be a powerful pressure tending toward the partial repudiation of the French debt—and not only as regards foreign securities, but as regards its own citizens.**

This is a statement which will in all probability be vehemently denied by any Frenchman, but seems to be borne out by careful and impartial statistical study. It must also be remembered that just because France is such a great country for saving and investment, a repudiation of the Bons de la Défense Nationale, for instance, would be a much graver matter than a corresponding measure in the United States. In spite of the war with its widespread distribution of Liberty Bonds in this country, the investment education of the average American is nowhere near as thorough as that of the average Frenchman, as shown by the rapid reselling of the Liberty Bonds in this country and their tendency toward concentration in the hands of the people who used to invest before the war. The result is that French Government bonds are so widely diffused, and savings mean so much to the Frenchman, that a repudiation of all or part of the debt would be a powerful incentive to internal troubles of the most serious sort. It is the realization of this state of affairs which has caused one French Cabinet after another to persist in an obviously impractible policy toward German reparations—their aim has been to beat about the bush as long as possible for the simple reason that a frank recognition of the true state of affairs would have meant, and still does mean, the prompt disappearance of the Government that dared it. How long this game of playing politics with economic realities can be kept up is another story.

Shrewd John Bull

To understand the French attitude toward the reparations we must also remember the settlement made early in the course of the Peace Conference between England and France. What it amounted to was that England took over the lion's share of the immediate effects recoverable from Germany—ships, colonies, concessions, and the like—while France got the promise of a big slice of the future reparations payments. England therefore has already received most of what it expected to receive from Germany, while France is left with the onus of collecting what she can. Hence also England can afford a more magnanimous policy toward reductions in the reparations payments, while France stands before the world very much in a dog-in-the-manger position.

All this of course tends to explain rather than excuse the rather small-minded attitude of official Governmental

France toward its two great debtors, while at the same time it is showing no great eagerness to pay off its creditors. As a matter of fact, its actual financial position is much more like that of Germany than the standing of the two currencies would indicate.

So great has been the financial strength of France, and so important its rôle as banker of the nations in the last century, that it is very easy to forget how little the country is really industrialized in the sense in which England or America or Germany are industrialized. Agriculture is still far and away the main source of the national income, and industry suffers from a decentralization and general inefficiency which is shocking to the American visitor.

The point seems to be that the same qualities which have made the French such a wonderful people for saving and investment are definite handicaps when it comes to a big-scale production and efficient, far-seeing industrial management. To take a slight incident from my own experience — I went into a bakery for a loaf of bread, and asked for some paper to wrap it up in. "But no, monsieur, one brings one's own paper, is it not?" An American store, obviously, would have simply charged the item to cost of service and offered to send the loaf home to me, the expense being absorbed in a higher charge for the loaf.

Apply the same attitude of thrift and conservatism to such problems as throwing out old machinery in favor of more efficient ones, to spending several hundred thousand francs a year in developing a new product or a new market, to giving up one's old established business with its definite income to join a consolidation whose profits may be larger but are still undetermined, and these virtues may easily cease to be virtues and become severe mental handicaps on enterprise.

A KITCHEN CABINET.

JOHN BULL: "No! Don't kill it, Marianne. Let's fatten it, and gather the eggs as we may."

—*De Amsterdammer* (Amsterdam).

Not Very Progressive

At various times I have sold advertising to French business men and to other Continentals, and I must say that a man who can make a living selling advertising in France would make a fortune here. It is the same story of unwillingness to spend present cash in the hope of future profits. Compare the four or six-page daily of Paris with the thirty-page paper of an American town of one-tenth the population and one-hundredth the wealth—the difference is due to less advertising and less ability to run up costs on the basis of big advertising revenues. Analyzing a step further back, the difference about illustrates the relative proportions of business push and "progressiveness."

The effect on the industrial status of the country can be made evident by an example or two. In Paris very few houses have telephones; even many of the smaller hotels and pensions lack them. One usually telephones from one's café, perhaps between the early afternoon coffee and the late afternoon apéritif—the café making no charge for the service, so little is it used. As a result, the telephone industry, operated as a part of the postal system, is in a rudimentary state, and compared with an organization like American Telephone and Telegraph simply does not exist. Here is a whole great industry, well developed in the United States, and insignificant in France, because of the habits of the people.

A more striking instance is the automobile industry. In America, it is estimated, there are over 8½ million cars: in France there are about 150,000. Any American farmer, no matter on how small a scale, after two or three good years in succession feels himself justified in buying a car. The French farmer gets a yield of two or three times as much produce per acre as the American; his selling price is about the same, being based on the world market price; his cost of production is lower, being based on French wages and materials paid in francs, and yet, if he should think of buying a car, well —he just wouldn't, that's all.

Hence, no big automobile industry—hence a smaller steel industry—hence less demand for ore and coal—add to this the thousands of other industries similarly dwarfed because of lack of demand, and one understands at least one of the reasons for France's backward status in industry.

Where France excels, is in the production of certain staple products demanding a high degree of skill or taste, or both, where large-scale manufacture, "en grande série," is out of question. Typical of this kind of product are high-grade "handmade" automobiles, certain perfumes, wines, and the like. Even here, however, France is steadily losing its supremacy in certain lines.

About three-fourths of the "French perfume" bearing French labels and exported from France are actually made in Germany on the specifications of French manufacturers, according to a leading trade authority. If France should actually be compelled to manufacture all its "French perfume" itself, its present capacity would not suffice for a third of the output. There is a very strong movement at the present time for the actual manufacturers to stop using the French labels and re-exporting their products to their final destination by way of France and instead to sell them on their own account without splitting the profits.

Similarly experts report a steady decline in the prestige of the French textile industry, even in its most refined productions, the "creations" of the great Parisian dressmakers. The truth of this belief can be confirmed in a moment by ocular observation by anybody walking down the "grands boulevards." The main external difference between a French countess and an American stenographer appears to be that the latter is better dressed. Here also, doubtless, the characteristic distaste for unnecessary expenditure plays its rôle.

So deeply ingrained is the habit of saving in France that even the inflation of the post-war years has not sufficed to uproot it. The fact remains that a hundred francs saved before the war are not worth more than twenty francs today in buying power (whatever the wholesale prices reported by the Statistique Générale de la France may say), a condition which usually leads to reckless expenditure, as in Germany today, on the ground that money is constantly depreciating anyway.

Housing Shortage

One result, however, has been that there is no desire whatever to invest money at a fixed income in real estate or new buildings, so that there is a very real dwelling-house shortage in Paris. Only the banks, whose business is based on the saving habits of the people, are doing a live business, and are invading one big apartment house after another, unless some "cinéma" has taken it ahead of them.

For all that, unemployment is not a pressing problem in France today. To a large extent, of course, this is a result of the relatively low degree of industrialization of the country, which has not succeeded in building up the large army of unemployed, the variable "labor reserve," which may be dipped into in times of prosperity and increased again in times of depression, characteristic of America and England.

In spite of the efforts of extreme labor leaders, there does not seem to be any large body of revolutionary labor in France. The spectre that haunts the uneasy minds of Government officers at night is not the workingman brandishing a torch but the shopkeeper clutching his bankbook and clamoring for cash on his investment.

The interest of the people in politics, however, is much keener than here. To

(*Continued on page* 630)

Money, Banking and Business

Sugar Outlook Encouraging

Demand Expands Materially—The Response in Prices—Industry Approaching New Period of Stabilization

By E. W. MAYO

Editor of "FACTS ABOUT SUGAR"

Note: In view of the substantial change for the better in the sugar industry, we have asked a recognized trade authority to discuss the situation, resulting in the following enlightening analysis.

AT the end of last December Cuba was just entering on the making of what has proved to be one of the largest sugar crops ever produced in the island (nearly 4,000,000 long tons). At the same time there remained unsold from the previous crop over 1,200,000 tons, an unprecedented amount to be carried over from one crop season to another.

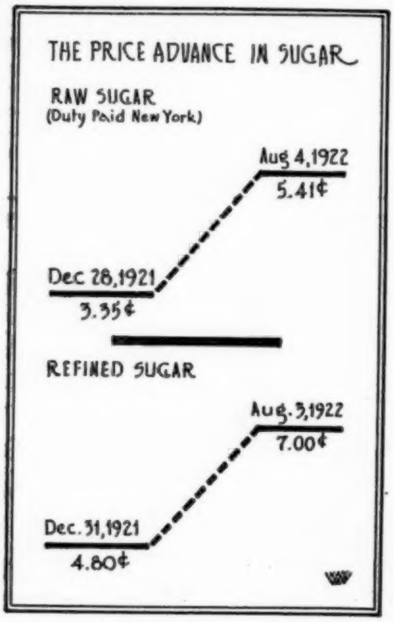
At the same time the sugar on hand in the continental and insular United States, or to be produced therein during the year, was estimated at upwards of 2,000,000 tons, making more than 7,000,000 tons or more available to this market, less whatever portion of the Cuban crop might be sold to outside countries. As the yearly consumption of the United States never has exceeded 4,500,000 tons the outlook was for a still heavier surplus to be carried over at the end of 1922 and this probable carry over was generally estimated at 2,000,000 tons or more.

At that time unrefined Cuban sugar was selling at 1¾ cents a pound, cost and freight, New York. In other words, that was the price before payment of the customs duty required on entrance to the United States. Deducting transportation costs this left a little over 1½ cents a pound as the price received by the Cuban producer. The duty-paid price of raw sugar in New York was 3.36 cents a pound and the wholesale price of refined was 4 80 cents a pound.

Only the most favorably situated mills in Cuba are able to produce sugar at 1½ cents a pound, nor was the price within the United States sufficient to cover the costs of domestic producers except in the cases of the most advantageously located mills. The sugar trade was frankly pessimistic as to the future and the securities of sugar companies sold in December at the lowest prices they had touched in years.

The Abrupt Change

By the first of July the situation had been completely transformed. In the intervening six months Cuba had shipped to various markets 3,600,000 tons of sugar; all the beet and cane sugar on hand at the beginning of the year had been absorbed, and two-thirds of the Hawaiian and Porto Rican crops had been distributed. European and other outside countries had taken nearly a million long tons of raw sugar direct from Cuba and the equivalent of 715,000 tons additional in the form of refined sugar had been exported from the United States. Of the total supply in sight at the beginning of the year approximately 70 per cent had been distributed in six months and the balance on hand for the remaining half year was a little over 2,000,000 tons or sufficient only to permit consumption on a greatly reduced scale.



Never before has so great a quantity of sugar been absorbed in the United States as during the first six months of the current year. Distribution amounted to nearly 3,000,000 tons or at the rate of 60 pounds per capita for the whole population. How this compares with the normal absorption for the half-yearly period may be seen by the following figures of distribution per capita in recent years:

	Lbs.
1918	42
1919	46
1920	50.8
1921	47.4
1922	60

These figures do not mean that Americans individually consumed 60 pounds of sugar apiece between January and July of the present year. Distribution is always heavier during the first six months of the year and at the beginning of 1922 trade stocks everywhere were abnormally low. They do show, however, that the amount of sugar that passed into channels of consumption between January 1 and July 1 was 20 per cent greater than in the similar period of any previous year and the greater part of this sugar undoubtedly has been consumed. Every increase of a single pound per person in the sugar consumption of the American people calls for 48,000 long tons of sugar and an increase of ten pounds per capita such as took place in the first half of the present year required 480,000 tons above anticipated requirements.

Factors in Increased Consumption

Unquestionably the chief influence contributing to the larger use of sugar this year has been the low price at which it has been selling. When sugar sells retail at five cents a pound, as it did in the early months of the year, housewives know that it is cheap and use it with corresponding liberality. It is, in fact, incomparably the cheapest foodstuff obtainable on the basis of actual nutritive value. It is generally assumed that prohibition of the use of alcohol encourages the consumption of sugar by stimulating the use of candy, chocolate, ice-cream and soft drinks. There are both physiological and economic reasons why this should be the case. It happens, too, that all kinds of fruit have been unusually abundant and cheap this year and this has encouraged a great amount of home canning and preserving which is always an important factor in determining the quantity of sugar used in the country.

Not only has the domestic demand been of record-breaking proportions but the foreign demand upon Cuba and the United States has been exceptionally heavy. All refined sugar exported from the United States is previously imported in the raw form but the amount expended for labor and supplies and the profit of refining remains within the country. In the present connection the importance of this export business rests in the quantity of sugar which it results in moving and the following figures show how the first half of

(*Continued on page 638*)

The Gravity of the Coal Situation

Supply and Production Far Below Future Requirements — Public Bound to Suffer When Winter Demand Begins—Will Substitutes for Coal Be Used?

By R. M. BRYAN

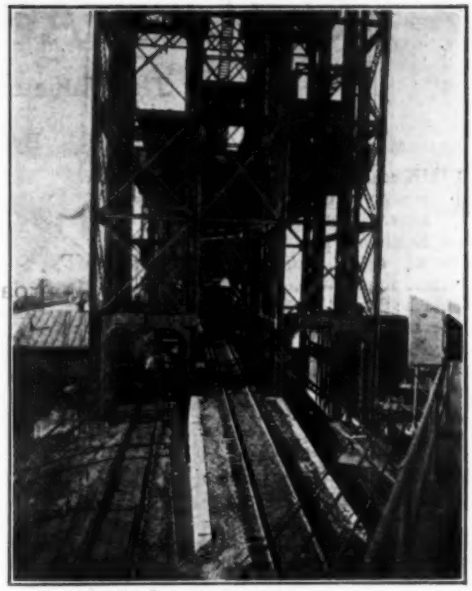


Photo by Underwood & Underwood

A Gigantic Coal Loading Machine. This Machine Picks Up Two Loaded Cars at a Time

The coal industry today is in a position that prohibits analysis from the ordinary economic point of view.

The situation is no longer to be gauged by the accepted standards of supply, demand and price. It is complicated by the prevalent labor troubles, and has become principally a problem in government.

This will explain the unusual treatment accorded the industry in the accompanying article, which, while not intended to spread needless alarm, may well serve to concentrate public thought upon an increasingly dubious outlook.

THE control of coal is once more in the hands of the Government, and the rationing of coal to industries and to householders has begun.

War-time practices, that is, heatless days and lightless nights may again rule.

Naturally, the consumers of coal are worried and have good reason to be worried about their supplies of fuel for the coming winter.

The present coal shortage is due to the strike of the union miners, which began April 1st. Up to the moment, industries and homes have been kept going, due to the operation of many non-union manned mines, and by the use of surplus coal that had been stored prior to the stoppage of the union mines.

Today, surplus stocks are pretty well dissipated, and headway that was being made in increasing non-union production, has been seriously retarded by the railway strikes.

The country mines normally, 450,000,000 to 500,000,000 tons of bituminous and 90,000,000 tons of anthracite yearly. Shut off bituminous production sixty per cent and anthracite production 100 per cent, for four and a half months, and you can visualize the coal situation today.

Therefore, Government agencies have stepped in, and coal production and coal distribution from this time on is going to be "regulated."

"Regulation" is going to begin by having railroad cars allotted only to mines that will consign coal according to orders that some Government agency will give. Moreover, no cars will be allotted to any operator who chooses to charge more than what is termed a fair price, this being fixed in most of the non-union regions at \$3.50 to \$4.75 per net ton.

Consumers in the various states will secure coal only by application to a State Coal Commission, and this commission will allot coal only to preferred industries that are on what are termed "priority" lists.

When you consider that these governmental agencies have today a weekly output of only about 4,200,000 tons of coal to distribute when the industries and the homes need about 9,000,000 tons for weekly consumption, it does not require the services of a Philadelphia lawyer to tell one that some industries and some householders are going to go without coal.

This, briefly, is the situation in a nutshell today, as concerns present output. The bins of consumers are not actually bare, as many have some coal, or the situation would be most desperate indeed.

A Paradoxical Trade

In the coal trade there are strange paradoxes.

On July 18th, of 1921, American coal shippers had just about completed shipment of 1,500,000 tons of coal to Great Britain to help out that country, which had a complete cessation of coal mining from April 1st to June 30th, or three full months.

On July 18th, 1922, British coal shippers began chartering vessels to bring British coal to America to help American industries to weather a strike of union miners in this country, which began on April 1st and which now, in its twentieth week, is showing no signs of settlement. Already more than a million tons of British coal has been purchased to be brought to the United States, and just how much may be needed to help the industries here to get through depends entirely upon the life of the present strike.

Shipping experts estimate that as much as 2,000,000 tons a month can be brought over the seas. When industries in the United States are going at full speed this amounts to only a day's consumption. As business is running today, we could probably skimp through with 1,500,000 tons a day. When cold weather comes we will need a great deal more, for the homes require fuel, and much more coal is also burned by plants, because the workmen in these also have to be kept warm, while the problem of lighting alone calls for a heavier consumption of coal in winter because of the shorter daylight hours.

The coal problem in this country is today much more serious than the public dreams is possible.

There has been no production of anthracite since April 1st, and this means that about 25,000,000 to 30,000,000 tons of anthracite coal that is normally mined and stored in the spring and summer months is lost. There are no storage piles in the producers' hands; there are in most sections only a few weeks' supply of anthracite in dealers' hands.

To the householder who has his furnaces built exclusively for the use of a particular size of anthracite, the coming winter presents a problem. However, many homes, particularly in the middle, western and southern states, do not know the use of anthracite, and while they may not find it always possible to secure as much coal as they burn in normal years to keep their homes comfortable, they do not face, at the moment, the probable hardships that now appear to threaten the user of anthracite.

What Are the Substitutes?

What has the country in the way of substitutes for coal?

In some sections wood. But this is in very limited supply.

In some sections natural gas. This is also in limited supply and very uncertain. Some industries are now using it, and it is used in the homes in several states.

In many states, oil. This is used both for industrial and domestic purposes, but its growth as an industrial fuel has been slow, with the exception as a fuel for ships. The war gave oil an impetus for marine use, which perhaps will not be

(*Continued on page* 644)

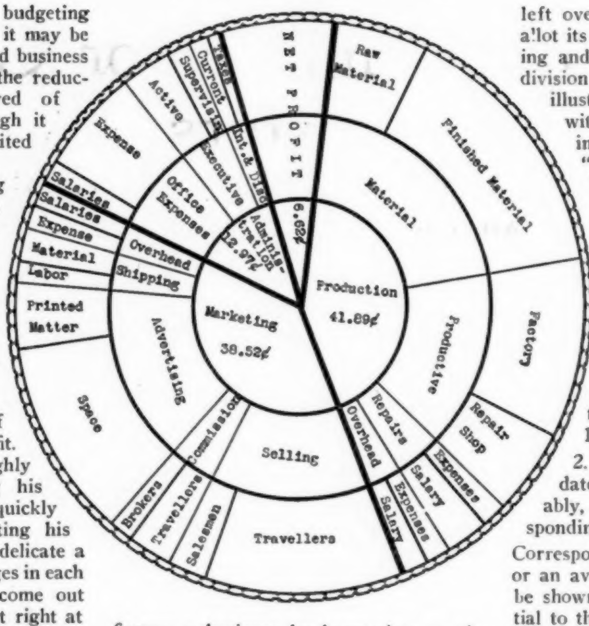
Cutting Administration Costs

The Value of a Budget System in Business

By PARK MATHEWSON

THE economy and value of budgeting is now so undisputed that it may be interesting to financiers and business men, to discuss its benefits in the reduction of costs, now considered of extreme importance, even though it would be impossible in the limited space to go into full detail.

Probably the most striking way to picture the broad idea of a budget as applied to an entire business, is to face the fact that every single dollar of gross income represents, when divided up, so many pennies for material, so many for labor, so many for administrative cost, so many for sales cost, so many for advertising, etc. The remaining pennies (if there are any) represent profit. If a business man once thoroughly grasps the idea of analyzing his sales-dollar in this way, he can quickly see the vital value of budgeting his business, because he sees how delicate a balance of pennies and percentages in each dollar must be maintained to come out right. And you cannot come out right at the end of the year *unless* you plan every step of that year. The old way was to examine your status at the *end* of the year, when all is over—a "post mortem." The new way is to plan for your year *in advance*, a "program."



As all budget figures must have a common basis upon which their computations are made and as all activities depend upon the gross sales or business done, the first figures to budget are the proposed sales for the coming period and those figures are the ones first worked out by the business budget conference.

It is obvious that if the billings to be achieved amount to $1,000,000, the same amount of goods must be produced, marketed and administered and the quota, expense and capital budgets would naturally be in proportion to such business done.

Dollars of Gross Business Done

In a "going" business the *Mighty Dollar* is the *Sales Dollar.* You can finance a business by borrowing or obtaining capital, but to run a business you must have the *income* from the business itself, which is represented by the Sales Dollar or the gross business done.

Equally important with the Sales Dollar or income is the division of same as to how many "pennies of profit" you have left over in each Sales Dollar after you allot its proportion to production, marketing and administrative operations. This division of the Sales Dollar is graphically illustrated in the accompanying chart, with divisions as pieces of the pie, in which the profit is the piece of "pie" that is left after the rest has been devoured by the "operations."

Uses of Budget Forms

The master-budget forms are arranged to contain all necessary fundamental or illustrative figures and to show two things:

1. The proposed or budgeted figures in full for the entire term of the budget (usually 12 months):

2. The actual results achieved to date by each division and, preferably, also their per cent of the corresponding budgeted figures.

Corresponding figures, for the past year or an average of several years, may also be shown, but are not in any way essential to the complete comparison and analysis of current results.

In the table is seen a typical budget outline which, better than mere words, will illustrate the value of such a detailed division of operations, responsibilities and percentages of same. After the number of Sales Dollars as well as their division is arranged then comes the intentive conference of the heads of departments, which finally ends in the finished budget of production quotas, expense and finance. Upon this the business is built for the following year and to the final plan all employees will give their last ounce of effort. This coordination is like the strategy plans for a battle. All the objectives and moves pertaining to each department and individual is laid out for his part in the game, thereby holding each one responsible for the accomplishment. The true budget plan carried out to its ultimate end by this team work, is of inestimable value.

TYPICAL BUDGET DIVISIONS OF A SALES DOLLAR

VARIOUS DIVISIONS AND SUB-DIVISIONS OF A BUSINESS WITH LOW PRODUCTION, HIGH MARKETING AND MEDIUM ADMINISTRATIVE COSTS

Main Divisions		Sub-Divisions		Further Sub-Divisions	
Production	.4176	Material	.1713	Raw material	.0621
				Finished material	.1092
		Productive	.1921	Factory	.1508
				Repair shop	.0413
		Repairs	.0300	Expenses	.0192
				Salary	.0108
		Overhead	.0242	Expenses	.0132
				Salary	.0110
Marketing	.3404	Selling	.1168	Travelers	.0935
				Salesmen	.0233
		Commission	.0342	Travelers	.0221
				Brokers	.0121
		Advertising	.1364	Space	.1201
				Printed matter	.0163
		Shipping	.0278	Labor	.0166
				Material	.0112
		Overhead	.0252	Expenses	.0136
				Salaries	.0116
Administrative	.1298	Office exp.	.0584	Expenses	.0102
				Salaries	.0452
		Ex. expense	.0350	Active	.0249
				Supervising	.0101
		Int. & dis.	.0128	Current	.0110
				Fixed	.0018
		Dep. & losses	.0236	Dep.	.0185
				Losses	.0051
Net profit	.1122		.1122		.1122
Sales dollar	$1.00	Total	$1.00	Total	$1.00

Bonds

Bond Opportunities for Shrewd Investors

A List of So-Called Second-Grade Bonds That Are Attractive From a Price Viewpoint

By R. M. MASTERSON

IT is a definitely established economic rule that the market prices of highest grade investment bonds fluctuate in accordance with the available supply of money (or credit), which is the determining factor in interest rates. An article which appeared in the last issue of this Magazine entitled "Are Bonds High Enough?" clearly explained this fundamental principle.

The article referred to pointed out how the large accumulation of capital, now on hand, would act as a support to present prices of high-grade bonds and prevent a reaction of any size occurring. This condition will automatically continue until such a time as a revival in business draws upon the available supply of capital so that it has been reduced to a level where the demand is in excess of the supply. Interest rates will then turn upward and prices of gilt-edged bonds, accordingly, will follow a downward course.

These fundamentals, however, apply only to the highest grade of bonds, those issues which are so well protected from a standpoint of earnings and equity that there is no question as to the safety of income or principle even in times of business depression. Bonds that are of a more speculative character are affected by other influences in addition to fluctuations in money rates and the particular condition of the issuing company or the industry represented has a specific bearing on the price of the bond.

At the present time practically all bonds are selling on a much higher plane than they were a year ago. While there is still room for further appreciation in the better grade issues it must be conceded that a large part of the "cream" is off the rise and one would now purchase that class of issue more from a standpoint of permanent investment than for profit.

On the other hand, many bonds of the so-called "second class" offer attractive profit possibilities with a comparatively small amount of risk. These bonds, as a class, have been lagging behind for the reason that they have been influenced, in the main, by the lack of earning power of the issuing companies. By careful discrimination, however, bonds of this class may be selected that have not as yet fully discounted a complete recovery from the period of depression of those companies which are now reasonably certain of making a successful "comeback."

THE ISSUES SELECTED

	Appx. Price	Appx. Yield
Cuba Cane Sugar Corporation 8s, 1930	95	8.90%
Cuba Cane Sugar Corporation 7s, 1930	90	8.75%
N. Y. Central 6% Convertible Debentures, 1935	107	5.25%
Brooklyn Union Elevated First 5s, 1950	84	6.20%
Virginia-Carolina Chemical First 7s, 1947	98	7.15%
Virginia-Carolina Chemical Convertible 7½s, 1937	98	7.70%

The Sugar Situation

One of the most interesting situations in this regard is in the sugar industry. Six months ago the outlook for many of the sugar-producing companies was very, very uncertain. Huge stocks of sugar were on hand and the price was, in many instances, even below the cost of production. Today these companies are facing the return of a period of prosperity. The heavy carry-over of 1,200,000 tons of Cuban raw sugar, which caused so much worry at the first of the year, has been nearly wiped out and indications are that the unusually large crop of 3,900,000 tons, in addition, will have been consumed before the end of the year.

Consumption in the United States is running at the present at the rate of 5,500,000 tons annually and promises to be about 5,200,000 tons for the year 1922, or fully 1,000,000 tons greater than in 1921. Sugar, today, is selling not far from the 4c mark and the outlook is for high prices throughout 1923. The stronger companies, therefore, should not only be able to replace badly depleted working capital but take care of deferred maintenance, and consider the question of resumption of dividend payments.

Position of Cuba Cane

With these favorable developments in the general situation, the outlook for the Cuba Cane Sugar Corporation, one of the largest individual producers in the world, is quite encouraging. Last September the company was in a most difficult position and it was quite frank in stating in a notice to holders of its $25,000,000 7% Debenture Bonds of 1930 that unless it was able to arrange a loan of $10,000,000 receivership was unavoidable. Happily, this loan was provided for by a 1-Year 7% Note issue which was taken by banks, after holders of about $17,500,000 of the 7% Debentures had consented to a subordination of their lien to the new loan. As compensation for consenting to this subordination, assenting debentures were stamped, allowing them interest at the rate of 8% to maturity instead of 7%.

Arrangements have been made for the refunding of the $10,000,000 Note, which matures October 1, 1922, through the issuance of a subsidiary company mortgage issue of a like amount which has already been underwritten and other current loans have been satisfactorily renewed. The company, therefore, has no impending debts that might cause it embarrassment, and if general conditions turn out according to present indications, the company should be entirely "out of the woods" by the Fall of 1923.

As the Debenture holders who are now receiving 8% interest consented to only a temporary subordination to the new money the 7% bonds will have no better degree of security after the loan has been paid off.

With the exception of the fiscal year ended September 30, 1921, the Company's profits have always shown a wide margin over fixed charges. Interest at the rate of 8% on $17,549,600 Debentures and 7% on the balance of $7,450,400 aggregate $1,925,496 per annum. This compares with net earnings, after depreciation and inventory adjustments, for the fiscal years ended September 30th, as follows:

1917	$7,559,060
1918	4,806,079
1919	8,340,391
1920	14,500,719
1921 (deficit)	15,452,841

According to the Balance Sheet of September 30, 1921, the property account was carried at $93,000,000 and total net assets behind the outstanding $25,000,000 Deben-

tures, after the deduction of all other debt, amounted to over $82,000,000, or more than $3,250 per $1,000 of par value. Based on present market quotations of the preferred and common stocks (500,-000 shares of each) the indicated equity over and above the outstanding Debentures is in excess of $28,000,000.

At the present time the 8% Debentures are quoted at about 95, yielding about 8.90% to maturity and the 7s, at about 90, yielding approximately 8.75%. Although these prices are far above the low marks, Cuba Cane, for the first time since its difficulties, is now in a position where its future can be viewed with confidence and the debentures should be in line for further market appreciation. They are, of course, not a true investment, having a speculative element not belonging to first-class investment issues.

Railroad Situation

Practically all the Railroads are showing very decided improvement in earnings compared with last year. The fact that splendid earnings are being reported by many roads augurs well for the future. When it is considered that general business, although better than it was last year, is still far from what could be called satisfactory, it is very reasonable to believe that if a return of prosperity should manifest itself in the next few months or a year some of the roads will share in it to the extent of very large profits.

New York Central is one of the roads that appears to be in line for greatly enhanced earnings in the not far distant future. So far this year, net income is running at the rate of 14% per annum on the capital stock, on which dividends are being paid at the rate of $5 per share per annum. These satisfactory earnings, equal to practically three times the dividend, with the best part of the year yet to come, have naturally caused much discussion in the "Street" as to the possibilities of an increased disbursement. The general impression seems to be that the stock will go on at least a $6 basis eventually.

It is hard to say just when favorable action on increasing the dividend may be taken by the directors. It is unlikely to expect any such good fortune while the present strike is on, but the market prices of all railroad stocks would indicate that the strike is of greater importance on the first pages of the newspapers than it is actually, and it will probably come to an abrupt ending as is usually the case in disturbances of this kind. The writer's opinion is that a dividend increase in N. Y. Central can be expected almost any time after the first of next year.

While the majority of railroad bonds have to a large extent reflected the improvement in their market prices, there are numerous issues that are almost certain to show further appreciation in price.

Convertible 6s

The New York Central Convertible Debenture 6s of 1935 are such an issue. These bonds, issued and outstanding in amount of $100,000,000, although not specifically secured by mortgage, are the direct obligation of the company and rank ahead of the $250,000,000 capital stock. At present prices this stock represents an equity of about $242,500,000 over and above the outstanding Debentures.

The Debentures are convertible into this stock at the rate of $105 per share. The Debentures at their present price of 107 yield about 5¼% which is slightly better than the return on the stock. In 1901, N. Y. Central stock sold as high as 174½; even as recently as 1916 it sold up to 114¼. Currently, the stock is quoted above 97 and if it were to be placed on a $7 dividend basis it might very easily advance to 130 or 140, or even higher.

Considering the proximity of the stock to the conversion level, the bonds appear in an attractive position and offer a good opportunity for market enhancement.

Traction Situation

The New York City Traction situation is one that is clarifying rapidly. Economies and reductions in opearting costs, which have come about as a result of the return of general conditions to a more nearly normal basis, have in many instances turned deficits of a year ago into substantial profits.

The Brooklyn Rapid Transit System has made very remarkable progress toward a recovery of its equilibrium. The company, in fact, is now reporting substantial profits, whereas a year ago a large deficit was being rolled up. All indications are that the receivership will be lifted before the close of the year and plans for a reorganization of the company will, in all probability, be announced next fall.

Of the Brooklyn Rapid Transit System

(Continued on page 633)

An Interesting Bond Program

Suggestions for a $15,000 Investment, to Yield Nearly 5.80%—Income Received Monthly

By PERRY A. EMERSON

THE accompanying table offers a well-diversified list of bonds grouped according to the months in which interest payments fall due. As can be seen, holders of one or more bonds in each group will receive interest every month in the year. This is a feature having a direct appeal to many investors—those, for example, who wish to meet current monthly expenses from investment income; or others who wish to follow a regular re-investment program, calling for new commitments every 30 days.

The table gives the maturity dates of each issue. It is further elaborated by the columns showing the par value of each issue (arranged with available denominations in mind) which it would seem desirable to purchase, with an investment of about $15,000 cash in mind; and the actual return that would be received were the complete program to be followed.

It may be noted that a railroad bond, a utility bond and an industrial bond is specified in each group. Investment status of each issue may be determined by consulting the "Bond Buyers' Guide," on another page of this issue, which rates every one of the securities recommended.

The actual income yield of nearly 5.80% to be obtained from this program is excellent, considering the high degree of safety. It would, of course, be enhanced with the bonds held to maturity.

THE PROGRAM

	Par Value Recommended	Approximate Cost	Actual Return (Semi-Annual)
JANUARY AND JULY			
Balto. & Ohio S. W. Div. 3½s, 1925	$500	$465	$ 8.75
Montana Power 5s, 1943	500	490	12.50
Comp., Tab. & Recdg. 6s, 1941	500	485	15.00
FEBRUARY AND AUGUST			
Hudson & Manhattan 1st 5s, 1957	500	430	12.50
Philadelphia Co. 6s, 1944	500	495	15.00
Liggett & Meyers deb. 5s, 1951	5,000	4,900	125.00
MARCH AND SEPTEMBER			
Missouri Pacific Gen'l 4s, 1975	500	340	10.00
Detroit Edison refdg. 5s, 1940	500	485	12.50
Adams Express 4s, 1948	500	400	10.00
APRIL AND OCTOBER			
Norfolk & Western cons. 4s, 1996	500	460	10.00
P. S. C. of New Jersey 5s, 1959	1,000	850	25.00
Inter. Merc. Marine 6s, 1941	1,000	960	30.00
MAY AND NOVEMBER			
Minn. & St. Louis cons. 5s, 1943	1,000	800	25.00
N. Y. Telephone Co. 4½s, 1939	500	475	11.25
Goodyear Tire & Rubber 8s, 1941	500	575	20.00
JUNE AND DECEMBER			
Iowa Central 1st 5s, 1928	1,000	800	50
Amer. Tel. & Tel. 5s, 1946	500	495	12.50
Armour & Co. R. E. 4½s, 1939	1,000	900	22.50

TOTAL COST: $14,805.
ACTUAL ANNUAL RETURN: $855.00.
ANNUAL INCOME YIELD: 5.78%.

Real Estate Mortgage Bonds

What They Offer the Investor—The Contrast With Old-Time Mortgages

By W. M. GEOFFREY

THOSE whose memories stretch back far enough—and they don't have to stretch back very far at that—have more or less vivid recollections of at least one investment medium which was considered the *non plus ultra, sine qua non* and investment *de luxe* of a generation ago—the real-estate mortgage.

The legal advisers of that day were far more conspicuous in the family affairs than they are today; much like the physicians, they were called into consultation under any and all circumstances. Chief among the duties they often assumed was recommending investment mediums for the family savings. The banks hadn't developed far enough to shoulder so much of this burden then; the trust company was comparatively new; there were practically no independent financial publications willing and able to disseminate investment education. So the family lawyer got the job, whether he wanted it or not.

What Advisers Advised

Whether because of limited knowledge, or because it was the easiest way out, the learned counsel almost invariably advised placing idle funds in real estate mortgages. In fact, in some legal offices the practise of securing mortgage money for owners, builders or landlords who required it, and vice versa of securing mortgage opportunities for individuals who wanted to invest money in this fashion got to be more of a business than the practise of law.

This writer has no means of determining what percentage of the total amount of funds so placed was "lost." For all he knows, and he believes it to have been the case, the great majority of the mortgages so assumed were regularly maintained, and met at maturity without any loss whatsoever and with a good income to the mortgagor. But it happens to have been his individual experience, and the experience of many others with whom he came in contact, that the investment of funds in this fashion was in many cases highly regrettable.

The Trouble

The trouble sometimes lay with the individual who got you to "buy" a given mortgage. He would appear to know his business, there was no public authority to consult, you didn't have time to examine the property itself, or interview the actual owner; so you trusted to your adviser's judgment—and found out, just a little too late, that he had gotten you into a property that never could sustain itself, and which you had to foreclose.

Other times, the trouble lay with the personal element that obtruded itself into the transaction. Your mortgage would be on a property owned by a decent, well-meaning fellow, whom you got to know in a rather intimate, personal way as the result of your financial relations with him. Things would go along all right for a time; and, meanwhile, your personal liking for the mortgagee would increase. Then, something would happen to his affairs; he would have reverses of one sort or another. If you had never known him—if your relations with him had been through an impartial, cold-blooded intermediary, such as a trust company—the business of forcing him to live up to his obligations wouldn't have been so distasteful. But you *did* know him; he would come to you with all the sorrowful story of his misfortunes; you simply couldn't grind him down. The result would be the indefinite suspension of interest payments, if not a total loss on your investment.

A final objection to real estate mortgages, as then dealt in, was the huge (comparatively speaking) expense involved in foreclosure, when things went wrong; the difficulties presented by the necessity of taking the property over, if the foreclosure sale did not meet your mortgage; the cost of rehabilitating and operating the property, if you took it over.

Remedying the Trouble

Time, and the experiences of many years, have brought about great changes in all phases of finance. Today, the investor is protected to a degree not dreamed of twenty years ago; he has a far wider choice of investment mediums; many advisory organizations have sprung up to assist him in his operations.

But in no field, perhaps, has there been a greater improvement, or one of greater importance to the investor, than in the real estate mortgage field.

Real estate mortgages today are, in ever increasing degree being dealt in according to methods that relieve them of practically all their old-time shortcomings, as outlined above, and give them a number of special attractions. Today, the practise is for the mortgagee to deal with a large financial institution, which employs experts in passing upon the value of his property, its earning power and his own credit. Having satisfied itself that the property is a "good risk," as the insurance agents say, the institution then splits up the mortgage into what are known as mortgage bonds—frequently in as small denominations as $100; these bonds are then sold to individual investors.

The modern method reduces the element of risk almost to NIL by reason of bringing expert specialists into the transaction. It does away with the personal element which used to influence many transactions of the kind in the old days. And, because of the integrity and great resources of most of the institutions dealing in this field, it practically precludes any possibility of loss under foreclosure.

Two types of real estate mortgage bonds can be had. One type is guaranteed by the issuing institution. The other type is not. But in the case of most of the institutions now operating in this field, it is a question whether this difference is not negligible. Generally, the terms of the mortgagee require amortizing payments on interest dates, so that the element of safety in each individual transaction is constantly increasing; also, as already pointed out, the individual transactions are surrounded with the greatest safeguards to insure the integrity of each one.

Objections and Compensations

The few objections that can be mustered against mortgage bonds, as now issued, spring principally from the fact that they cannot always be instantly marketed, at the cost price, when that is desirable. In this respect, they are unlike the famous Argentine Cedulas—which, while nothing more than mortgage bonds, enjoy a constant, open market. There is a direct and vital compensation for this "disadvantage" (really, too emphatic a term), namely, that irrespective of what conditions may be elsewhere the distributing institutions make it their business to insure that the bonds will be taken up at maturity and that there will be no interruption in interest payments. In other words, your investment does not fluctuate. There is the additional compensation in the interest yield this security class pays—6, sometimes 6½%, at present, or from 1 to 1½% more than could be obtained from other securities in many cases not so safe.

The intending investor, who is considering the purchase of mortgage bonds, can be warmly encouraged, providing only he discriminates in favor of institutions of the greatest integrity and long standing. Any bank or trust company officer will tell you what institutions fill this bill.

(This is the second of a series of one-page articles dealing with leading bond classes, such as Governments, Municipals, Real Estate Mortgage Bonds, Equipment Trusts, Guaranteed Bonds, etc.)

Inquiries on New Security Offerings

Inquiries on Other Securities Will Be Found in Their Respective Departments

LONG-BELL LUMBER CO.

A Well-Secured Issue

Do you favor the purchase of Long-Bell Lumber first mortgage bonds recently offered? —T. J., Chicago, Ill.

The Long-Bell Lumber Co. $9,000,000 1st mortgage 6% bonds Series A due 1942 are secured by a first mortgage on standing timber having a value as independently appraised, equal to 100% of the face value of the bonds and are further secured by a mortgage on plants and mills making the aggregate security twice the amount of the issue. The balance sheet as of May 31, 1922, shows net tangible assets of seventy million. Working capital of the company is over thirteen million. Net earnings during the past ten years have averaged three and a half million dollars. At the offered price of 96 the yield is 6.35% and looks attractive in view of the large security behind the issue.

INDIANA GENERAL SERVICE 5s

A High-Grade Issue

I would like to have your rating of Indiana General Service first mortgage 5% bonds.—F. O. L., Cortland, N. Y.

Indiana General Service Co. owns and operates electric generating plants and an interconnected high-tension transmission system, supplying, without competition, electric power and light to Muncie, Marion and Elwood, Ind. All franchises are unlimited as to time. The $3,322,000 first mortgage bonds, due 1948, are secured by a first mortgage on property valued at about seven and a half million. Annual average net revenues for the five years ended May 31, 1922, were $464,768 as against interest requirements, including this issue, of $216,125. Entire common stock of this company is owned by the American Gas & Electric Co. which is closely identified with General Electric interests. At the offered price of 90 the yield is 5.75%. In our opinion this is a high-grade bond.

CENTRAL INDIANA POWER 7s

Yield 7.39%

I am taking advantage of your offer to pass on new security offerings to ask your opinion of Central Indiana Power Co. 7% bonds. The yield of 7.39% looks attractive and I am tempted to make an investment provided you consider them sufficiently well protected.—S. A. T., Philadelphia, Pa.

Central Indiana Power Co. $2,000,000 7% collateral gold notes due 1925 are a direct obligation of the company and are secured by lien, subject only to the lien of the company's first collateral mortgage, on all the outstanding bonds and 75% of the issued voting stock of the subsidiary companies now deposited under first collateral mortgage. The combined value placed on the properties of the subsidiary companies by the Public Service Commission of Indiana is largely in excess of the first mortgage and notes outstanding. Earnings for the year ended May 31, 1922, after deducting interest on the first mortgage bonds, were equal to four times the interest requirements of these notes. In view of the good earning power of the company these notes can be regarded as an attractive business man's investment and we believe you are justified in placing a portion of your funds in this issue.

PHILIPPINE GOVERNMENT 4½s

Exempt from All Taxation

As I am interested in the purchase of tax exempt bonds the recent offering of Philippine Governmnt 4½% bonds looks attractive. I want nothing but gilt edge securities and have been a little doubtful as to whether this issue quite measures up to my standard as they are not guaranteed by the United States. Would appreciate your opinion.—N. A. R., Atlanta, Ga.

Philippine Government $15,000,000 4½% gold bonds, due 1952, in our opinion can be rated as a gilt-edge security. It is true that they are not guaranteed by the United States but in this connection the remarks of the Attorney General should be noted. In an opinion as to the legality of the issue he stated: "This issue and sale of bonds is authorized explicitly by the National Power and while in the strict and legal sense the faith of the United States is not pledged as a guarantee for the payment of the loan or for the due use of the proceeds or the observance of the sinking fund requirements, the entire transaction is to be negotiated under the auspices of the United States and by its recognition and aid. There can be no doubt, therefore, that the National Power will take the necessary steps in all contingencies to protect the purchases in good faith of these securities." These bonds are exempt from all taxes. Estimated total wealth of Islands is $5,500,000,000; assessed valuation of real property $745,686,781; bonded debt $45,000,000 including this issue. Grosss business of the Islands has increased from two hundred million in 1907 to nearly nine hundred million at the present time. At the offered price of 99 the yield is 4.55%.

WATAB PAPER 6½s

Yield About 7%

What is your opinion of Watab Paper first mortgage 6½% bonds. I am considering an investment in this issue.—C. H. G., Champaign, Ill.

Watab Paper owns a complete pulp and paper making plant with a capacity of over 25,000 tons per annum of book and miscellaneous print papers, at Sartell, Minn. The $1,250,000 bonds are secured by a first mortgage on property appraised in 1919 by the American Appraisal Co. at $2,800,000, exclusive of timber lands valued at nearly half a million. Average earnings for six years ended Dec. 31, 1921, were over five times interest requirements, and in 1921 two and a half times. Working capital must be maintained at 50% of amount of bonds outstanding. At offered price these bonds yield 7%. While they appear to be well secured, we would suggest instead Sinclair Consolidated 1st lien and collateral 7s, selling on the New York Stock Exchange at 99.

CONSTANTIN REFINING EQUIPMENTS

Yield 6½%

How do you regard the equipment trust certificates of the Constantin Refining Co.?—G. E. K., Toledo, O.

Constantin Refining Co. $750,000 7½% car equipment trust certificates are secured by title to 600 all-steel tank cars built by the Standard Tank Car Co. in 1919 and 1920, and costing $1,410,000. In addition both principal and interest are unconditionally guaranteed by the Constantin Refining Co., to which these cars are leased at a rental sufficient to pay principal and interest as they fall due. Net earnings of the company for the past six years, after depreciation and interest, averaged ten times interest on these certificates. They mature $36,000 every six months from October 1, 1922, to April 1, 1932. These equipments, in our opinion, are well secured and attractive at the offered price, which gives a return on the investment of 6½%.

ST. PAUL EQUIPMENT TRUST 5s

Yield 5 to 5.4%

Do you consider the Chicago, Milwaukee & St. Paul equipment certificates a gilt-edge security?—H. W., Chicago, Ill.

St. Paul equipment certificates, Series A, due 1923-1937, are secured by a first lien on new standard railway equipment costing $10,790,000, as compared with the issue of $8,085,000. This equipment was contracted for during the last eight months at the lowest level of prices that has prevailed since 1917, and substantially below present market prices. The equipment is leased to St. Paul for an annual rental equal to the annual maturities of principal and the semi-annual dividend warrants. These certificates can be regarded as a gilt-edge investment. Maturities from 1928 on are offered at a price to yield 5.40%.

BOND MARKET SHOWS CONTINUED STRENGTH

General Market Moves Into Higher Ground—Miscellaneous Industries and Speculative Railroad Bonds Favored

GENERALLY speaking, the bond market gave signs that investment demand for the better grade has by no means abated. In fact, continued absorption of representative bond issues was a feature. However, the movement of these issues was somewhat obscured that greater attention was paid to bonds of middle and speculative grade.

Among true investment issues, Liberties were inclined to be somewhat inactive and prices as last recorded were under the highest prices for the year. In the foreign department there were some rather violent changes, the Anton Jurgen 6s having made a net decline of about 8 points, and the City of Greater Prague 8s having made a decline of equally liberal proportions. It has been a more or less common practice among bond syndicates to withdraw their supporting orders once the issue is sold. Upon withdrawal of such support these bonds have to take care of themselves in a natural market and very often this results in a material decline because of lack of concentrated support. This seems to have been the reason for the decline in the Jurgens and Prague issues rather than any fundamental reason. Especial activity was noticed in the Brazil Cent. R. R. temporary 7% certificates an advance of over two points being recorded.

Sugar issues were again strong, the leading features being Punta Alegre 7s and South Porto Rico 7s, the latter being in especial demand. In this connection, it should be noted that the South Porto Rico 7s are given first position among the middle-grade industrials listed in the accompanying table.

The tire bonds were rather weak, Goodrich 6½s being especially so. The Goodyear 5s were also in supply. The reason for this market action is to be found in the unsettled condition of the tire market.

Railroad Issues

Attention was paid to railroad issues of companies whose earnings are indubitably on the up-grade. Among such were the Chicago, Milwaukee & St. Paul bonds, particularly the convertibles, the Erie convertibles, N. Y. Central debenture 6s, Missouri Pacific gen. 4s and N. Y., N. H. & H. convertible 6s. The trend in middle-grade and speculative railroad issues is strongly upward as it becomes more and more apparent that earnings of the carriers are on the up-grade and that interest is not only being earned by a safe margin but substantial surpluses are being earned for the junior stocks. A broad market for railroad issues may be expected to continue for a very considerable period and investors should closely examine the opportunities presented in this field.

Money conditions continue favorable and are expected to remain so during the period immediately ahead.

BOND BUYERS' GUIDE

		Apx. Price	Apx. Yield	Int. Earned on entire funded debt‡
	BETTER GRADE			
	Foreign Governments.			
1.	City of Christiania (b) 8s, 1945	109	7.20	....
2.	Danish Municipal (b) S. K. 8s, 1946	109	7.20	....
3.	City of Zurich (b) 8s, 1945	113½	6.80	....
4.	City of Copenhagen (b) 5½s, 1944	90¾	6.30	....
5.	Kingdom of Sweden 6s, 1939	104	5.62	....
6.	Argentine (c) 5s, 1945	85⅝	6.20	....
7.	U. K. of Gr. Britain & Ireland (c) 5½s, 1937	104¾	5.05	....
8.	Dominion of Canada (c) 5s, 1931	100	5.00	....
	MORE SPECULATIVE			
1.	Kingdom of Italy (d) 6½s, 1925	96½	7.80	....
2.	Republic of Chile (b) 8s, 1941	103½	7.65	....
3.	Sao Paulo (b) 8s, 1936	100¼	7.95	....
4.	U. S. of Brazil 8s, 1941	100½	7.95	....
	Railroads. **GILT EDGE.**			
1.	Balt. & Ohio S. W. Div. (b) 1st Mtg. 3½s, 1925	93	6.10	.80‡
2.	Ches. & Ohio (a) Genl. Mtg. 4½s, 1992	89⅛	5.05	2.20
3.	Delaware & Hudson (a) 1st & Ref. 4s, 1943	91¼	4.62	1.65
4.	Southern Pacific (b) 1st Ref. 4s, 1955	91	4.55	1.65
5.	Chic. Burl. & Quincy (a) Genl. Mtg. 4s, 1958	91½	4.50	2.40
6.	New York Central Genl. Mtg. 3½s, 1997	79½	4.45	1.80
7.	N. Y., Chic. & St. Louis 1st Mtg. 4s, 1937	90	4.95	2.35
8.	Atlantic Coast Line (a) 1st Mtg. 4s, 1952	91	4.55	1.55
9.	Pennsylvania (a) Genl. Mtg. 4½s, 1965	93¼	4.88	2.20
10.	West Shore (a) 1st Mtg. 4s, 2361	85	4.80	**
11.	Norfolk & Western (c) Cons. 4s, 1996	93½	4.30	3.95
12.	Central R. R. of N. J. (a) Genl. Mtg. 5s, 1987	107¼	4.62	1.40
13.	Atchison (b) Genl. Mtg. 4s, 1995	93⅜	4.30	3.90
14.	Chic., R. I. & Pacific (a) Genl. Mtg. 4s, 1988	85½	4.70	1.00
	Industrials.			
1.	Armour & Co. (a) R. E. 4½s, 1939	90	5.40	†
2.	General Electric (b) Deb. 5s, 1952	101½	4.90	6.75
3.	International Paper (a) 5s, 1947	87	6.00	5.55
4.	Indiana Steel (a) 5s, 1952	100⅜	5.00	16.70
5.	Baldwin Loco. (a) 5s, 1940	103¼	4.70	**
6.	National Tube (a) 5s, 1952	100	5.00	**
7.	Corn Products (a) 5s, 1934	107¼	4.20	60.70
8.	U. S. Steel (a) 5s, 1963	104½	4.75	8.70
9.	Liggett & Myers (aa) Deb. 5s, 1951	100	5.00	4.65
	Public Utilities.			
1.	Duquesne Light (b) 6s, 1949	193½	5.75	3.40
2.	Amer. Tel. & Tel. (c) 5s, 1946	99¼	5.05	4.80
3.	Philadelphia Co. (c) 6s, 1944	99¼	6.00	
4.	N. Y. Telephone (b) 4½s, 1939	95	4.70	**
5.	Montana Power (c) 5s, 1943	97½	5.20	2.90
6.	Cal. Gas & Electric (a) 5s, 1937	95¼	5.45	4.15
7.	N. Y. G., E. L., H. & P. (a) 5s, 1948	99½	5.05	2.10
8.	Pacific Tel. & Tel. (a) 5s, 1937	98⅜	5.12	1.75
	Railroads. **MIDDLE GRADE.**			
1.	Balt. & Ohio (b) 1st Mtg. 4s, 1948	86	4.95	0.80
2.	St. Louis-San Fran. Prior Lien 4s, 1950	73½	5.95	1.60
3.	Missouri, Kansas & Texas Prior Lien 5s, 1962	85	6.00	....
4.	Ches. & Ohio (b) Conv. 5s, 1946	95⅝	5.30	1.55
5.	Cleve., Cin., Chic. & St. L. (a) Deb. 4½s, 1931	90½	5.88	2.40
6.	Pere Marquette (c) 1st Mtg. 5s, 1956	97⅜	5.12	2.05
7.	Southern Pacific (b) Col. Trust 4s, 1949	89½	4.70	2.40
8.	Kansas City Southern (a) 1st Mtg. 3s, 1950	71	4.90	1.70
9.	Illinois Central (b) Col. Trust 4s 1952	85⅛	4.95	2.25
10.	St. Louis Southwestern (a) 1st Mtg. 4s, 1989	79¾	5.10	2.00
11.	Norfolk & Western (a) Conv. 6s, 1929	116	3.40	3.95
12.	Atchison (a) Conv. 4s, 1960	101½	3.90	
	Industrials.			
1.	South Porto Rico 1st Mtg. 7s, 1941	101⅜	6.83	5.50
2.	Wilson & Co. (a) 1st 6s, 1941	100	6.06	2.10
3.	Comp. Tab. & Recording (b) 6s, 1941	96½	6.30	5.45
4.	Adams Express (b) 4s, 1948	80¼	5.40	2.60
5.	Int. Merc. Marine (b) 6s, 1941	86¾	6.30	5.15
6.	Lackawanna Steel (c) 5s, 1950	90	5.70	6.90
7.	U. S. Rubber (c) 5s, 1947	90¾	5.70	2.35
8.	Amer. Smelting & Refining (c) 5s, 1947	84¼	5.40	5.00
9.	Goodyear Tire (c) 8s, 1941	116	6.50	9.55
10.	Sinclair 1st Lien Col. Tr. 7s, 1937	99⅜	7.10	3.70
	Public Utilities.			
1.	Public Service Corpn. of N. J. (a) 5s, 1959	84¾	6.00	....
2.	Detroit Edison (c) Ref. 5s, 1940	95½	5.40	2.80
3.	Brooklyn Union Gas (a) 5s, 1945	99	5.10	*1.35
4.	Northern States Power (b) 5s, 1941	91½	5.75	1.80
5.	Brooklyn Edison (c) 5s, 1949	96	5.30	2.20
6.	Utah Power & Light (a) 5s, 1944	90½	5.75	1.80
7.	Cumberland Tel. & Tel. (b) 5s, 1937	94⅛	5.50	1.70
	Railroads. **SPECULATIVE.**			
1.	Western Maryland (a) 1st Mtg. 4s, 1952	66	6.62	.70
2.	Iowa Central (a) 1st Mtg. 5s, 1938	79¾	7.20	....
3.	St. Louis Southwestern (a) Cons. Mtg. 4s, 1932	78⅛	7.10	2.00
4.	St. Louis-San Francisco (a) Adj. Mtg. 6s, 1955	82	7.50	*1.90
5.	Mo., Kansas & Texas Adj. Mtg. 5s, 1967	59¼	8.60	....
6.	Southern Railway (a) Genl. Mtg. 4s, 1956	69⅝	6.12	1.85
7.	Missouri Pacific (b) Genl. Mtg. 4s, 1975	66¾	6.10	.90
8.	Carolina, Clinch. & Ohio (c) 1st Mtg. 5s, 1938	90¾	5.90	1.40
9.	Minneapolis & St. Louis (a) Cons. Mtg. 5s, 1934	80	7.60	.50
10.	Denver & Rio Grande 1st Ref. 5s, 1955	45⅝	11.30	....
	Industrials.			
1.	Chile Copper (b) 6s, 1932	93	7.00	3.80
2.	Va.-Carolina Chemical (c) 7½s, 1932	105⅝	6.70	2.75
3.	American Writing Paper (a) 6s, 1939	86½	7.40	1.90
4.	American Cotton Oil (a) 5s, 1931	89½	6.55	3.15
5.	Cuba Cane Sugar (c) 7s, 1930	90⅞	8.60	....
	Public Utilities.			
1.	Hudson & Manhattan (c) Rfdg. 5s, 1957	85¼	6.00	*1.60
2.	Intr. Rapid Transit (a) 5s, 1966	69⅛	7.35	1.60
3.	Third Avenue (b) Refg. 4s, 1960	64	6.60	*1.20
4.	Va. Railway & Power (a) 5s, 1934	78¼	7.75	....

(aa) Lowest denomination, \$5,000. (b) Lowest denomination, \$500. (d) Lowest denomination, \$50
(a) Lowest denomination, \$1,000. (c) Lowest denomination, \$100.
(x) This issue was created on May 1, 1921.
† This issue, which represents the entire funded debt of the company, was created on Nov. 1, 1920.
* Number of times over interest on these bonds was earned.
** Earnings are not reported separately.
‡ This represents number of times interest on the companies' entire outstanding funded debt was earned, based on actual earnings of last five years. Interest on this issue was fully covered.

Railroads

Chesapeake & Ohio Railroad

Higher Dividends Justified

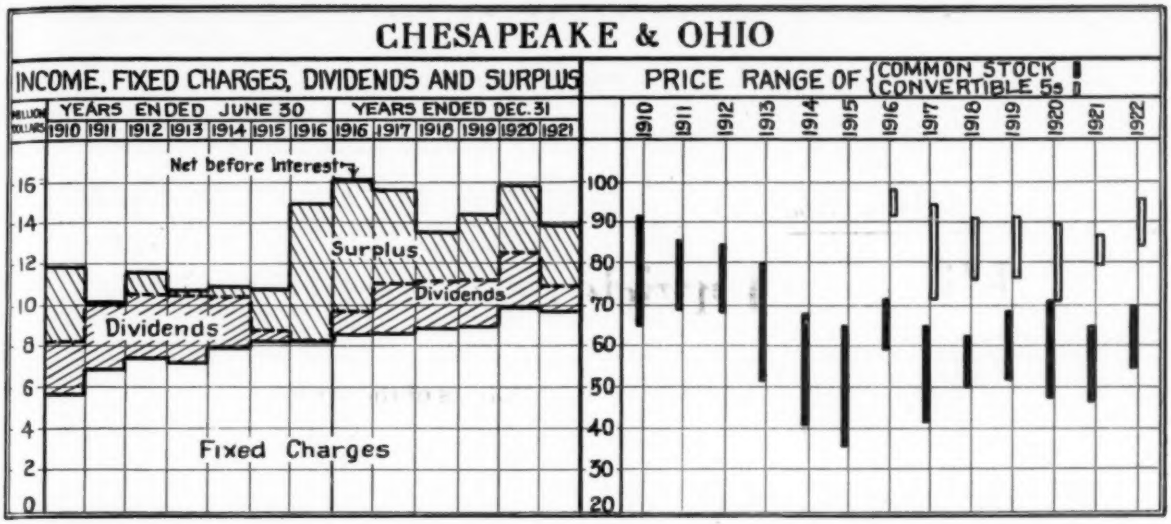
Company Would Benefit From Conversion of the Convertible 5s Into the Stock—Effects of the Strike

By FRED J. DEESEN

THE Chesapeake & Ohio Railway is unique in that, in addition to being primarily a bituminous coal carrier, its properties serve as a trunk line from Chicago to Newport News. This situation perhaps may be attributed to the sundry purposes for which different sections were built and to the different uses to which the road was subjected during its various periods of control. Part of the line was originally constructed by the State of Virginia for the purpose of affording for its industries access to the western markets. Operations under State control proved a failure, however, and the road was taken over by Collis P. Huntington, who extended the line to the Ohio River and closed the gap between Richmond and Newport News with the intention of using the properties as part of a transcontinental system extending from San Francisco to Newport News, which ambition, however, was never fulfilled. The New York Central and Big Four later acquired control, and then the Pennsylvania. Under the control of the Pennsylvania the road was used principally for coal-carrying purposes in lieu of its transcontinental business, undoubtedly because of competitive reasons. The Pennsylvania has since sold its holdings, after developing the property extensively as a coal-carrier.

The Chesapeake & Ohio as now comprised extends from Washington and Newport News westerly to Cincinnati and Chicago, and to Louisville; also northerly to Toledo via the Hocking Valley, practically all of whose capital stock is owned by the Chesapeake & Ohio. The line from Chicago to Cincinnati is the shortest of any road operated between these two cities, and that between Chicago and Newport News is about of the average distance. Its trunk-line business between the latter two cities has not developed to such an extent as that of its nearest competitor for this business, the Baltimore & Ohio, which has built up a much more diversified traffic. This may be accounted for by the fact that export trade of Newport News is not as extensive as that of Baltimore, which is served by the Baltimore & Ohio.

Of far greater importance at present than its trunk-line business is the bituminous coal traffic of the Chesapeake & Ohio, which normally constitutes about 70% of the company's tonnage. Of late this traffic has been gradually increasing in its proportion to other tonnage, thus tending to make the company more and more dependent upon it to obtain results. This preponderance of coal traffic has resulted in the company's earnings becoming very susceptible to the quantity fluctuations common to coal production, and for this reason it is pertinent for the investor in Chesapeake & Ohio securities always to keep in close touch with conditions affecting the coal trade. In general, it may be stated that the bituminous coal industry ordinarily is subject to great fluc-



tuations and disturbances, principally because the production capacity of the mines is at least 50% greater than requisite to supply the normal demand.

Empty Return Movement

The handling of coal is accompanied by an empty return movement, practically equal to the loaded movement in the opposite direction. This accounts for the extraordinarily large percentage of empty-car mileage that is usually shown in the Chesapeake & Ohio's operations. Another noteworthy feature is the low ton-mile rate for this low-grade traffic. Inasmuch as coal far exceeds in tonnage the more lucrative commodities handled by the company, earnings of the Chesapeake & Ohio for all traffic per ton mile are naturally lower than the average, so that any variation in operating expenses per unit of traffic, such as higher wages and material prices, will produce a greater effect on net than would be the case on the average road.

The bituminous coal traffic of the Chesapeake & Ohio originates from four important coal fields whose watersheds are followed by the company's lines, viz., the New River, the Kanawha, the Logan and the Kentucky. The lines of its nearest competitors for this business, the Virginian and Norfolk & Western, cross the watersheds, and in this respect the Chesapeake & Ohio has a decided operating advantage which may manifest itself in the future. Another significant operating advantage which the Chesapeake & Ohio enjoys over its competitors is that its trains do not have to be carried up the heavy grades over the Alleghanies. This affords opportunity for economy through greater train loads without necessitating the use of extra locomotives, and therefore a larger gross haul per ton of coal. During the four months ended April, 1922, the train load was 1,216 tons, while its coal consumption per 1,000 gross tons moved was only 139 pounds.

The New River field supplies a low volatile coal, and traffic originating from this district constitutes about 30% of the total coal tonnage. While this is one of the oldest fields on the company's lines, its importance as a source of traffic has been dwindling gradually in comparison with the other fields. The Kanawha and Logan districts supply a high volatile coal, and traffic originating from these districts combined constitute about 50% of the total coal tonnage. These two fields are the newest developed sections served by the Chesapeake & Ohio, and as a future source of supply will prove of great importance. As a matter of fact the supply of high volatile coal in the present crisis has been extremely scarce. The Kentucky field also supplies a low volatile coal, constituting about 10% of the total coal traffic of the Chesapeake & Ohio.

All of the above fields are situated near the center of the road, and traffic originating in these sections is moved either easterly or westerly; also northerly via the Hocking Valley. Prior to 1914 a very large share of the coal found a western market; however, due to the rapid development of export trade the situation reversed itself to the end of 1920.

For a while the Chesapeake & Ohio experienced great difficulty in obtaining its proper share of this coal traffic for export trade because it was not equipped with adequate facilities to handle the business to and at tidewater. In 1916 the directors of the company justly deemed this traffic of sufficient importance to warrant enormous expenditures to expedite its movement and handling. Besides these requirements for additions and betterments, it became necessary to refund during that year $33,000,000 of 5% secured notes. On account of the fact that the common stock was selling much below par, the company could not very well do this financing through the sale of stock, and though the proportion of its funded debt to total capitalization was already higher than usually considered sound, the only recourse left open to meet the situation was the issuance of another series of bonds, amounting to $40,180,000 and bearing 5% interest. In order to allow a possible means of having this creditors' money changed to owners' money in the future, **these bonds were made converible into common stock at 80 per share up to April 1923, at 90 per share up to April 1926, and at 100 per share up to April 1936.** In accordance with its usual conservative policy, the Board of Directors also decided in March, 1916, to appropriate from income during the next three years the sum of $7,500,000, to provide for the difference in capitalization that would be brought about by the possible conversion of the bonds into stock at less than par.

The fact that the company has not been able to finance any of its large investments in the past decade through the sale of stock has resulted in increasing the relationship of its funded debt to total capitalization as of December, 1921, to over 75%. The effect of this high proportion of funded debt is strikingly illustrated in the left-hand portion of the accompanying chart. The top full line on the graph represents the net income before interest. The white area from the bottom of the chart to the lower full line represents the portion of this income that goes towards meeting fixed charges. Note the continuous increases in fixed charges and the great share of earnings that is consumed to meet them. This is not a very healthful situation and should be remedied. The fluctuations in net income before interest brought about by the variations in the coal traffic are augmented considerably, after making deductions for fixed charges, in the net applicable to the common stock and in the ratio of this latter net to the common, because of the comparative smallness of the latter in relation to total capitalization. This accounts for the wide range at which the common stock fluctuates on the Exchange, as is shown in the right-hand section of the chart.

Big Improvement Program

Once again the company is faced with the problem of financing a big improvement program which it feels essential to efficiently handle its rapidly expanding traffic. This condition has been brought about by the rapid development of coal mines tributary to the company's lines under the pressure for maximum coal pro-

duction during the war, the number of these mines increasing at that time from 375 to 635. Feeders were necessarily constructed to the mine fields at a rate faster than was possible for the company to bring its facilities to such a condition as to economically and efficiently take care of this added business. To remedy this situation it has been estimated that capital expenditures amounting to $17,000,000 will be required in the next four years, and plans are now being made to do some of this financing in the near future.

Under existing conditions a stock issue seems far from practicable. Another bond issue would increase the already too highly inflated fixed charges and thus tend to further weaken the financial structure of the company. The solution to the problem seems to lie principally in the convertible 5s, reference to which has already been made. If the holders of these securities could be induced to exchange a greater portion of these bonds into stock, the company's financial condition would be materially strengthened by the resultant change of $2,000,000 fixed charges into non-fixed charges. Under these conditions the issuance of another series of bonds to finance the capital requirements under consideration would not have as serious effect as it would otherwise. The question naturally arises as to how the stock can be made attractive enough to induce the holders of the convertible 5s to exercise their conversion privilege. The present basis of this exchange of 80 will be increased to 90 in April, 1923, and for this reason it would appear a less difficult matter to secure conversion before that date. An increase in the dividend rate perhaps would be the most effective means of causing the desired upward movement of the stock and for this reason would be justified, provided of course earnings permit.

Improvement in Operations

That earnings do warrant such action is verified by the improvement that is manifesting itself in the company's operations. The reader is well aware of the abnormal conditions which confronted the road during the first four months of 1921 and which caused the Directors to pass the dividends in May of that year. The Chesapeake & Ohio, however, emerged from this ordeal in good shape and actually succeeded in earning a net on its stock of $6.68 for the entire year. The improvement which characterized the operations of the Chesapeake & Ohio during the latter part of 1921 is still manifesting itself, as is reflected in the satisfactory exhibit the road has made for the first five months of 1922. Despite the fact that this period includes two months of the coal strike, the road succeeded in earning a net after rents of $7,192,118, as compared with $3,096,565 for the same period in 1921. After making proper deductions for fixed charges, there remains a net applicable to the common stock at the rate of over 11% per annum. This satisfactory performance may be attributed to a large extent to the general picking up of traffic and to the reduction in transportation expenses per unit of traffic handled, which would indicate that the company now has these expenses well in hand. Unfortunately, disbursements for maintenance of the company's equipment do not show as substantial an increase as are warranted by the poor condition of this equipment, particularly freight cars. The effect of this has been to increase the percentage of bad order cars on the company's lines from 9.1% on June 15, 1921, and 10.9% at the beginning of 1922 to 15.7% as of

(*Continued on page 630*)

No Dividend on Missouri Pacific Preferred Likely This Year

Earnings Affected by Coal Strike, and Indications Are That the Road Will Have Great Difficulty in Earning 5% on Preferred Stock

MISSOURI PACIFIC 5% cumulative preferred stock has been the center of much speculative activity during the past six months, as a result of the strong financial position of the company, the accumulated dividends on the stock, and the belief that with railroad earnings improving so rapidly, this stock would be placed on a dividend-paying basis some time this year. The strong financial position and accumulated dividends still furnish a basis for speculative activity, but the very important factor of earnings has fallen far short of expectations, and as a result the stock does not possess the immediate attractive speculative possibilities that it had four months ago.

Missouri Pacific's trouble took on a very definite shape beginning with the coal strike in April. Under normal conditions, about 38% of MOP's traffic is from the product of mines, of which about 55% is bituminous coal. This class of traffic has fallen off heavily and has more than offset the improvement in loadings of other commodities. For the first six months of this year MOP reported a decrease of about $4,000,000 in gross, but an increase of about $1,300,000 in net operating income. This improvement, while satisfactory under existing conditions, falls considerably short of what is required to enable the road to meet a 5% dividend on its preferred stock. On the basis of seasonal fluctuations in traffic, the six months' earnings are at the annual rate of about 84% of fixed charges. Despite the coal strike, June was the best month of the year for the road, in both gross and net, and this is due to the fact that loadings of commodities other than coal showed material increases.

Dividend Possibilities Deferred

Any plans the directors may have had for inaugurating dividends on the preferred stock would naturally have been deferred under existing conditions, but **holders of the stock who purchased it for its long-pull possibilities should not change their position at this time.** As soon as the coal strike is settled, earnings of the road should pick up considerably. It is a certainty that even if the strike were to be settled today the mines would have to work at top speed to take care of industrial and railroad requirements, so that there is every reason to believe that coal traffic will be greatly stimulated during the fall and winter months of the year. In addition to this there is a big crop to be moved. With conditions returning to normal, Missouri Pacific preferred will again take on a highly attractive aspect, as we believe the road will have little difficulty in earning sufficient to maintain its preferred dividend, which will very likely come up for serious consideration as soon as earnings warrant it.

Financial Position

There are few roads in better financial position than Missouri Pacific. The settlement made with the Government on matters growing out of Federal operation was highly satisfactory and further strengthened a position which was already strong. On Dec. 31st last (the latest available figures), the company had over $14,600,000 in cash, Government securities and New York City warrants. Of this amount, cash and special deposits were about $2,000,000, the bulk of the current assets being in Government securities. The financial position of the company is all the more remarkable when compared with the statement published just prior to Federal control. At this time cash and other investments totaled but $5,500,000.

Conclusion

It is an extremely important fact that the company is in a position to pay a dividend on the preferred stock at any time it sees fit, and that once such a dividend is inaugurated, the road will be in a position to continue payment even through periods of depression, if deemed advisable. As the stock is cumulative, it has a decided advantage over the majority of speculative railroad securities. At the present time there are 20% back dividends due on the stock, which of course lends considerable attractiveness to the stock. The preferred is now selling around $56.50 a share, but from this price must be deducted the 20% of accumulated dividends, bringing the price down to about $36.50 a share. **At this price the stock is a decidedly attractive speculation, and regardless of whether a dividend is paid this year or next, the stock should be held for considerably higher prices ultimately.**

Industrials

"Switching" Into the Strong Industries

Four "Switches" Recommended by Members of the Staff of The Magazine of Wall Street

NOW and then the casual speculator gets into the wrong stocks, or in other words, buys certain stocks at the wrong time. This time element is often more important than the quality of the stock, especially for the minor-cycle trades, although it may be even more important for the long-pull investor. For example, suppose a speculator, belonging to that large and unfortunate class that devours the "news" and ignores "trade tendencies" buys the stock of a corporation whose earnings are at their maximum for the year and about to decline in accordance with their usual seasonal habit. That speculator has innocently acted his little part in the stock market scene called "distribution," and has accepted and paid for a small block of stock from which the vendor has just squeezed the last profits to be had from that particular issue for the year; that is to say, he has been the most ordinary kind of a "sucker."

Now suppose this stock, which has passed its zenith for the year, begins its downward career as it reflects decreased earnings ahead of the corporation, with the waning of its seasonal period of prosperity. Imagine, if you can, that our speculator begins to feel uncomfortable and actually reaches the conclusion that something must be done about it. Assuming that he desires to stay in the market, what is the best thing for him to do? He should do two things, first sell the stock that is about to go down, and second, put the proceeds into another stock that will in all probability go up. This theory is right, and to put it into practice is not an impossibility. It *can* be done, and it *is* done regularly by traders who use *common sense.*

If a speculator finds that he is holding a stock, or has recently purchased the issue, under circumstances indicating that the corporation has seen its best earnings for the season, or for the industrial cycle in which it moves, and that these earnings are likely to decline, with the consequent publication of news from time to time relating to such unfavorable development, and he sells his stock either at a profit or at a small loss, as the case may be, and then buys the stock of some other corporation whose earnings are increasing because industrial conditions are such as to insure more active demand for its products as the year advances, he has made a "switch" from a stock that is going the wrong way to one that is headed in the right direction.

However, if this speculator hangs onto his stock that he bought at the top, or under unfavorable industrial conditions for that particular issue, until his commitment shows a serious loss, and *then* sells it with a view of buying something that a little common-sense investigation will show is in all probability likely to advance in price, he has *not* made a switch, but has simply "turned over a new leaf."

SWITCHES RECOMMENDED

(1) Studebaker into American Car & Foundry.

(2) Goodrich Tire into Cuban-American Sugar.

(3) United Drug into Great Northern.

(4) U. S. Rubber into Baltimore & Ohio.

Of course it is well to turn over a new leaf, or start with a clean slate, when occasion demands, but the long-pull speculator who has ignored trade tendencies and grimly carried a stock down 20 or 30 points, should not delude himself into thinking that he has made a clever "switch" when he sells out near the bottom and then buys another stock that recovers his loss, for as a matter of fact, at the time he takes the loss on his ill-advised commitment, that trade is a closed incident, and his cleverness dates from the moment he realized his mistake and rectified it by giving a little consideration to fundamental influences.

The moral of this little dissertation may be illustrated by pointing out that it would not be a half bad idea for one who has recently bought a motor stock such as Studebaker, or a tire stock such as Goodrich, to switch into a railroad stock like Pennsylvania, or an electrical equipment issue like Westinghouse or an equipment like American Car & Foundry or a sugar like Cuban-American Sugar.

The general reasons for such substitutions are about as follows:

1. The motor and tire industries are at or approaching their zenith for the season, and according to past experience are likely to show falling off in trade during the latter part of the year.

2. Price cutting is in progress as competition becomes more keen in the final effort to secure more business in the face of almost certain decline in demand.

3. On the other hand, railroad earnings are increasing, and are likely to continue upward, or at least above the average, so long as general business conditions throughout the country maintain their favorable trend.

4. Electrical equipment companies face a period of unusual prosperity, in the light of the immense potential demand for power generation and transportation equipment during the next few years, as industry expands, and the unsatisfied requirements which accumulated during the war, or as a result of it, become evident.

5. Railroad equipment companies are in an improving position on account of the unusual demand for their service, deferred through a number of years of bad financial conditions for the carriers.

6. The sugar companies have evidently turned the corner and now rest on a more solid basis than for over two years.

Studebaker Into American Car & Foundry

The Studebaker Corporation, according to the announcement of its president at the time of the recent dividend increase, is the second automobile manufacturer of the United States in net assets, cost and size of plants and value of sales. Its earnings have been so far this year $18 a share, and now the less favorable half is beginning.

At its present price of about 130, the stock is higher than at any time since 1919, the advance having been based largely on the justified predictions of an increase in the rate to $10 annually and an extra of $1.50 for the quarter. It would seem, however, that the cat is now out of the bag and it is difficult to conceive of anything likely to come up that would be the occasion for another run-up in the stock. Surplus as of June 30 of this year amounted to $38 a share, which would scarcely be the occasion of a stock dividend, and the yield on the regular dividend rate is some 7%.

At current prices, it is probable that the vast majority of holders of Studebaker common have a profit. Without prejudging the question of the investment merits of Studebaker, it would seem that for the time being, at least, it is high enough, with no great bullish factor which is not thoroughly well known and reflected in the market's judgment of its value. It would there-

(*Continued on page 636*)

The Three Largest American Paper Companies

An Analysis of International Paper Co., Union Bag & Paper Corp. and American Writing Paper Co.—Outlook for Their Shares

By JOHN MORROW

IN the first half of 1922 the consumption of newsprint ran about fifteen per cent ahead of 1921 and at a rate which indicated that the consumption for all of 1922 might exceed that of any previous year. The output of the Canadian mills has been especially large and almost all the American manufacturers except International Paper have been running close to capacity during the past few months. Contract prices for newsprint were put at seventy dollars per ton last December, which represented a drop of sixty dollars per ton as compared with the contract prices for the fourth quarter of 1920. Recently, however, contract prices were increased five dollars a ton, giving the first indication of real improvement in the paper industry.

There are three companies whose stocks are listed upon the New York Stock Exchange which are big factors in the paper industry, although only one is pre-eminently the maker of newsprint. These companies are International Paper Company, American Writing Paper Company and Union Bag & Paper Corporation.

INTERNATIONAL PAPER COMPANY

Gradually Improving Its Position

When early in July International Paper increased the price of newsprint from seventy to seventy-five dollars a ton and at about the same time its mills attained the highest percentage of operations thus far in 1922, the shares of the company received their first definite impetus in months. The assured indications of an improvement came as a great relief to many who had been wondering whether the newsprint industry in this country was due to lag permanently behind the general recovery in business. It was known that late last year American and Canadian mills indulged in the kind of competition which in some cases results in losses instead of profits. It is difficult to imagine a business readjustment more severe and more drastic than that suffered by the paper industry during the past year and a half. Before the world war American manufacturers were bothered by foreign competition and also by Canadian rivals. Canada is the great source of pulp wood and in the last analysis might almost be said to control the destinies of the American paper industry.

The heights and depths of International Paper's business may be illustrated by the fact that in 1920 the company earned over fifty dollars per share on the common stock and in 1921 showed a deficit of over eight million dollars after inventory adjustment, and late in 1921 the company sold twelve and a half million dollars of bonds to pay off bank loans and provide working capital. It was no wonder that market confidence in International Paper shares was severely shaken.

Profits of Prosperity

Before the war the paper industry was not known for its large profits and International Paper had not developed particular earning power. Dividends had accrued on the preferred stock and in 1917 a financial readjustment was made which provided for these accumulated dividends, partly in cash and partly in additional shares. Then came the flood of earnings. In the five years from 1916 to 1920, inclusive, International Paper earned approximately one hundred and fifty dollars per share on the common stock but not one cent was paid to the junior shareholders. In that same time plant assets showed little or no change as expressed by figures on the balance sheet, but advances to subsidiaries were made to a total of about thirteen million five hundred thousand dollars, a sum equal to approximately seventy per cent on the outstanding common stock. Also, inventories at the end of 1921 were valued at over thirty million dollars as compared with less than eight million dollars in 1916.

It is obvious that the company suffered big losses through the depreciation of inventory, chiefly wood values, but the general opinion was that the 1921 report of International Paper showed inventory account at rock bottom figures. It is, of course, difficult to account in detail for the disposition of large profits during the prosperous five-year period, but it may generally be stated that the money went into property acquisitions, probably timber lands, and to safeguard working capital when the time of stress came. It has been said that International Paper overreached itself, but this is opinion.

Water Power Values

Probably the most interesting development connected with the company exclusive of the possibility of the restoration of earnings is the announced policy of developing its water power sites. New England interests, headed by Malcolm G. Chace, are supposed to control more than one hundred and fifteen thousand shares of the one hundred and ninety-nine thousand common shares outstanding and it is said that their attention was first directed toward International Paper because of the possibility in the water power sites controlled.

International Paper has had considerable labor trouble during the last year and a half and, in fact, strikes were to some extent responsible for the poor earnings of 1921. Hydro-electric plants can be operated with little manual labor and with decreased investment. It is

EARNINGS OF THE THREE PAPER COMPANIES

INTERNATIONAL PAPER

	Operating Income	Net Income	Per Sh. Earned on Com.	Final Surplus
1915....	$2,648,906	$1,219,515	.....	$771,381
1916....	7,002,793	5,120,727	$21.65	4,336,492
1917....	12,363,338	8,180,787	34.02	6,719,687
1918....	7,831,322	5,152,578	18.48	3,652,578
1919....	7,044,455	4,121,494	13.24	2,621,494
1920....	21,176,147	11,836,362	52.07	10,336,362
1921....	134,465	*1,107,683	.....	*2,607,683

* Deficit.

AMERICAN WRITING PAPER

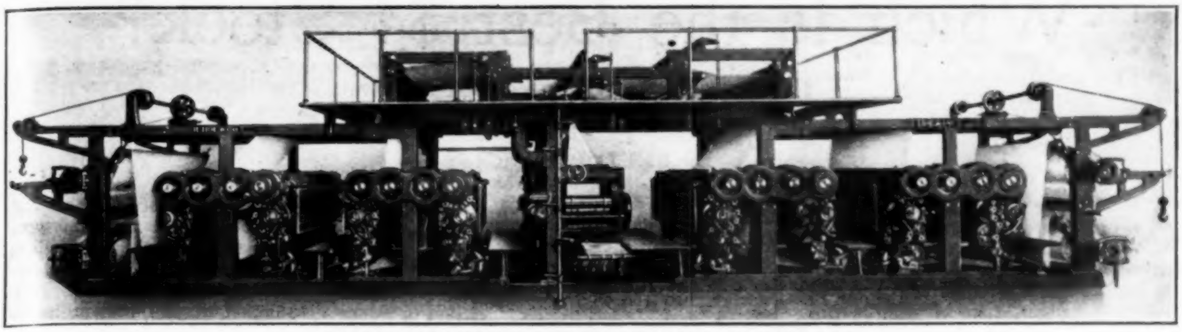
	Operating Income	Net Income	Per Sh. Earned on Pfd.	Final Surplus
1915....	$735,770	*$126,956	.....	*$126,956
1916....	3,413,697	2,524,378	$20.20	2,524,378
1917....	738,485	150,287	1.20	150,287
1918....	1,949,907	1,252,629	10.00	1,252,629
1919....	1,003,548	435,095	3.48	435,095
1920....	2,651,317	1,687,673	13.50	1,687,673
1921...	*1,220,953	*1,944,775	.....	*1,944,775

* Deficit.

UNION BAG & PAPER

	Operating Income	Net Income	Per Sh. Earned on Stk.	Final Surplus
1915....	....	....	....	....
1916....	....	....	....	....
1917....	$2,592,078	$2,404,555	$24.0	$2,054,555
1918....	2,870,100	2,102,716	21.2	1,114,278
1919....	1,987,034	1,680,620	17.0	844,557
1920....	4,618,127	3,474,926	17.6	2,393,030
1921....	530,215	383,754	2.6	*761,112

* Deficit.



THE LAST WORD IN PRINTING MACHINERY

The immense Decuple Press of R. Hoe & Co., capable of turning out 80,000 copies of a 20-page newspaper in one hour, equipped with patented ink pumps, and considered the speediest and most efficient newspaper press made.

possible that International Paper has long-range plans which would contemplate the removal of most of its paper-making plants from this country to Canada. This would not mean that paper tonnage output would be lessened but it does mean recognition of the fact that paper can be manufactured more cheaply in Canada than in this country. Connected with the idea of the hydro-electric development is the possible development of the International Paper Company as a large producer and distributor of electricity. No one thinks of the company directly in that connection but it is a possibility of the future well worth keeping in the background of any consideration of the company's future.

Current Earnings

During the first six months of the current year production of International Paper averaged not much more than fifty per cent of capacity, which indicates that in the first half there was no surplus for the common stock and, perhaps, a slight deficit after preferred dividends. The big contracts for the sale of newsprint are made on a yearly basis and therefore the recent increase in price would apply only to new business. The significance of the increase lies more in the fact that it means an improved trade outlook if not a sudden increase in International Paper's earnings. However, recent increases in the percentage of operations at the company's mills do mean larger earnings. While obviously there is no way of ascertaining definitely the amount of earnings during the second half of the year, it seems fair to assume that the company will earn at least a small surplus on the common stock this year but there is nothing to inspire the belief that dividends are in store for junior shareholders in the near future.

Conclusion

There is no reason to doubt the integrity or investment position of International Paper Company's bonds which are called First and Refunding 5s and which are due in 1947. They may be purchased on a basis which will yield not far short of six per cent.

At one time last year it was feared that perhaps it might be necessary to suspend dividends upon the six per cent preferred stock upon which payments have been regularly made since the readjustment of the company in 1917. Dividends were continued, however, and the improvement in sentiment with regard to the preferred is evidenced by the fact that it advanced from a low of fifty-nine this year to around the seventy level where it is at the present writing. Between seventy and seventy-five the stock looks decidedly cheap.

It is a question as to whether the common is not as much of an asset stock as an earning power stock. The stock has a book value of over one hundred and twenty-five dollars per share and yet its earning power has been so erratic that potential buyers are skeptical. What disappointed many was the failure of the company to declare any dividends at all during the years of its prosperity or to indicate in any way what the junior shareholders might expect or, at least, hope for. There is no question about the physical assets back of the common stock of the International Paper Company, but there is some question of its earning power. Still, the trend of the paper-making industry seems definitely toward improvement and in the background there are the possibilities inherent in the development of the company's water-power sites, and that is not an inconsiderable possibility by any means.

For those dependent on income, the common stock, of course, is one to avoid as it is in the speculative class. For those, however, who can afford to tie up their funds over a considerable period, investment in this issue should eventually turn out profitably. Marketwise the shares seem to be getting into a stronger position and somewhat higher levels by the end of the year would not be a surprise.

AMERICAN WRITING PAPER COMPANY

Earnings Unstable but Recent Improvement Should Strengthen Position of the Company

The American Writing Paper Company is in a different position as regards grades of paper sold than the big newsprint manufacturers. This company makes a complete line of printing and stationery requirements such as papers for bonds, ledgers, typewriters, book covers, weddings, etc.; in fact, everything except coated book and newsprint. Specialty papers include photo mounts, blueprint, shotgun shell and drinking cup. This detail of output is given to show the relation of the company to business condition in other industries and for the purpose of indicating in what way American Writing

(*Continued on page* 640)

RATINGS OF THREE PAPER COMPANIES

	Element	Qualifications	Rating	Rating No.
INTERNATIONAL PAPER	(1) Character	Necessity of modern life	Excellent	5
	(2) Past Record	Irregular	Fair	3
	(3) Future Possibilities	Demand increasing	Good	4
	(4) Management	Efficient	Good	4
	(5) Financial Strength	Bond issue	Fair	3
	(6) Earning Power	Should increase	Good	4
	Total Points			23
AMER. WRITING PAPER	(1) Character	Accessory of modern life	Good	4
	(2) Past Record	Highly irregular	Poor	2
	(3) Future Possibilities	Demand increasing	Fair	3
	(4) Management	Improved	Good	4
	(5) Financial Strength	Could be better	Fair	3
	(6) Earning Power	Should increase	Fair	3
	Total Points			19
UNION BAG & PAPER	(1) Character	Accessory of modern life	Good	4
	(2) Past Record	Fairly steady earnings	Fair	3
	(3) Future Possibilities	Dependent on industrial expansion	Good	4
	(4) Management	Very efficient	Excellent	5
	(5) Financial Strength	Improved	Good	4
	(6) Earning Power	Should improve	Good	4
	Total Points			24

Maximum Rating, 30 Points.

Which Is the Best $4 Stock?

Results of a Search for Profit-Making Opportunities in Listed Stocks

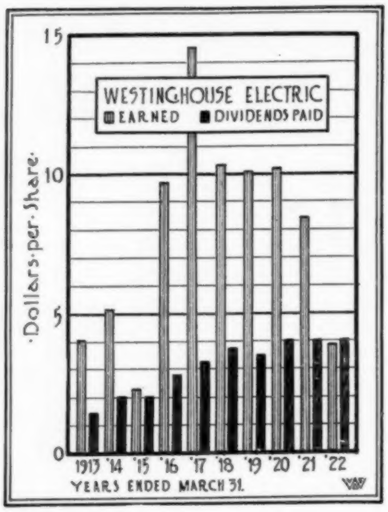
By FRED L. KURR

AMONG the industrial stocks paying $4 per share per annum in dividends are several securities that have very interesting possibilities. As in the preceding articles of this series the question, "Which is the best $4 stock?" will be considered from two standpoints, the investment and the speculative. In determining the best investment stock THE MAGAZINE OF WALL STREET'S system of rating is used. Westinghouse Electric & Manufacturing turns out to have the highest rating of the $4 stocks with a total of 28 points in its favor out of a possible 30.

Westinghouse Electric and General Electric divide the cream of the electrical equipment business of the United States. This is an industry that is essential to modern industrial life and the demand for the products of these two companies has shown a steady increase over a long period of years. There is every reason for the belief that this will continue to be one of the fastest-growing industries in the United States. In the past ten years Westinghouse earnings have averaged $7.87 per share on its stock as against dividend payments averaging $3.07. In other words, 60% of the profits have been plowed back into the company. The steady nature of the company's business is illustrated by the showing in the year ended March 31, 1922, when the company came within a small fraction of earning the dividend, in spite of the very unfavorable conditions prevailing. At the end of the fiscal year working capital stood at over eighty-five million and the company was entirely free of bank loans. These are all factors that the investor should give great weight to and Westinghouse stands the test very well.

The other six companies included in the accompanying table are rated as follows: Allis-Chalmers and Chicago Pneumatic Tool 26 points, Worthington Pump 25 points, Associated Dry Goods and White Motor 24 points and Coca-Cola 22 points. It is understood of course that this rating does not take into consideration the technical position of the stocks.

Westinghouse Electric stock, in addition to a rating attractive to the investor is in good technical position at the present time. It has held steadily around present levels for several months indicating that the stock is being accumulated preparatory to an advance into new high ground.



Earnings in the current fiscal year which started April 1 have been on a very satisfactory basis. Billings for the three months ended June 30 were twenty-six million and shipments about the same. The present dividend is being earned with a good margin to spare and it is estimated that $3 per share will be shown for the first six months with the prospect that the last six months will show up still better. In view of this and the financial structure the $4 dividend can be regarded as very secure and should conditions continue favorable there is an excellent chance that a larger return will be made to stockholders in a year's time, though no immediate action along these lines is anticipated.

At present price of 62 Westinghouse Electric yields 6.4% and can be regarded as an unusually attractive long-pull investment.

Allis-Chalmers

Allis-Chalmers is the stock selected as having the best possibilities for immediate appreciation in value. Coca-Cola has had a very important upward move this year and appears to be selling high enough at 70 on the basis of current earnings. Moreover, the market action of the stock indicates distribution around present levels. White Motors may do better later on, as the truck business is good and likely to remain so for some time. The motor group generally, however, has shown a declining tendency and this is likely to affect White sympathetically so that it does not look particularly attractive for an early move. Associated Dry Goods is earning its dividend with an excellent margin to spare and the outlook is favorable. The market action of the stock is disappointing and it does not appear attractive at the present time. Worthington Pump earnings are slowly improving and the stock is in a good technical position. It has been rather inactive, however, and it may take some time for the move to get started. Chicago Pneumatic Tool is attractive as its business is largely dependent on the railway equipment industry which looks very promising at the present time. Working capital alone is equal to $66 a share on the stock and there is no bonded debt or preferred stock. The technical position is excellent. Allis-Chalmers was selected instead of Chicago Pneumatic Tool as it has a closer and more active market, other factors being about equal.

Allis-Chalmers succeeded in earning its $4 dividend in 1921 with a small margin to spare, a very good showing in view of conditions. It was helped by having large orders on hand at the end of 1920, incoming business in 1921 being of small proportions. Recently the tide turned, unfilled orders on July 1 being nearly two million greater than at the first of the year. See accompanying chart. For the first quarter of 1922 the preferred dividend was not quite covered but earnings in the second quarter will show a substantial improvement and the last two quarters of the year are expected to bring earnings up sufficiently to show the dividend earned with a good margin over. In July the company received an order from the Niagara Falls Power Co. calling

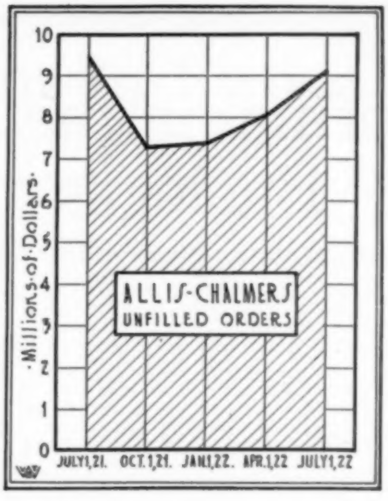
THE BEST $4 DIVIDEND-PAYING STOCKS

	Capitalization			Working	Earned Per Share				Yield	Price R'nge 1922	
	Bonds	Preferred	Common	Capital	1919	1920	1921	Price	(%)	High	Low
Allis-Chalmers	None	$16,500,000	$25,770,750	$23,994,841	$9.57	$9.39	$4.12	54	7.4	56	37¾
Asso. Dry Goods	None	20,544,200	14,985,000	†.........	13.33	4.13	10.26	54	7.4	57½	43
Chicago Pneu. Tool	None	None	12,309,000	8,273,322	10.32	14.31	0.96	71	5.6	71⅝	59
Coca-Cola	None	10,000,000	*500,000 shs.	1,253,256	.....	2.61	3.29	71	5.6	74½	41
Westinghouse Electric	$36,249,000	3,998,700	‡70,813,950	85,352,001	10.16	8.43	3.90	62	6.4	64	49⅛
White Motors	None	None	‡25,000,000	14,431,931	11.47	4.82	def.	48	8.3	51¾	35⅛
Worthington Pump	1,000,000	15,914,504	12,692,149	17,154,190	18.39	8.19	def.	52	7.7	58⅞	43⅞

* No par value. † This is a holding company and requires no working capital, net liquid assets $510,929. ‡ Par value $50.

for construction and installation of a complete 70,000 horse-power hydro-electric generating outfit. With accessories the order calls for expenditure of approximately $850,000. The company has undoubtedly turned the corner and the present dividend rate can be regarded as secure, especially as the company has built up an unusually strong financial structure.

The company has a highly efficient plant system with the most modern labor-saving devices. Products turned out by the company bear a very high reputation and the service department has proved so valuable to customers that they are very firmly tied to Allis-Chalmers products. Principal products are: air brakes, air compressors, cement machinery, steam, gas and oil engines of various types, farm tractors, flour-mill machinery, coal and other mining machinery, hydraulic and power transmission machinery, pumping machinery, sugar machinery, pumping machinery, steam turbines, rolling-mill machinery and electrical apparatus of various kinds.



Conclusion

At present price of 53 the return on the investment is 7½% which is very satisfactory. The stock is still attractive at these levels from an investment view-point, though it has advanced materially in the past year.

Note: This is the fourth of a series of articles showing the best stocks in each dividend-paying group. In this issue, the best stocks paying $4 dividends per share annually are discussed. In an early issue will be found an analysis of the best stocks paying $5 per share in dividends. In later issues the best stocks paying from $6 to $8 a share will be pointed out.

Why Great Northern Certificates Are No Longer Attractive

By C. S. HARTLEIGH

FROM time to time the average investor is likely to be deceived by the apparent favorable outlook for a security which represents an industry that is fundamentally in a sound and improving position, and because the issue in question has maintained an apparently good earning record for a few years and sells on the basis of an income yield suggesting that it should gravitate to higher levels. The apparently favorable qualities of such a security may be due to methods of accounting that cannot be successfully continued and the investigation of which would make the long-pull prospects of the issue decidedly unattractive.

High Yield Misleading

Great Northern Iron Ore Properties beneficial interest certificates serve as an illustration of the kind of security we have in mind, and to which we call our readers' attention. The Great Northern Iron Ore Properties represent a trust resulting from the consolidation of various iron-ore properties and other lands of the Great Northern Railway Co. During the past four or five years this company has produced about 6,500,000 tons of iron ore per annum, and has distributed $4 a share per annum. On the basis of recent quotations around $40 a share, the indicated yield of 10% appears attractive. However, careful analysis of income account indicates that the actual earnings are about $2 a share per annum, and manifestly this relationship between actual earnings and distribution cannot continue indefinitely.

From the formation of the trust at the end of 1906, until the end of 1914, the largest part of the company's income was derived from the leasing of many of its properties to a subsidiary of the U. S. Steel Corporation. At the end of 1914, however, this lease was cancelled, and the properties turned back to the trustees. It was the aim of the trustees to arrange to have all the properties operated under lease by outside interests, and during the years 1915 and 1916 they were actively engaged in arranging such leases. During this time it was necessary to conduct some operations for their own account, and also to permit some of the propetries to lie idle. The result was that in these two years the net earnings were very small, being around 60c a share.

Since July, 1917, all the developed mines have been turned over for operation to outside interests. The terms of the new leases have not been as favorable as those accorded by the U. S. Steel Corporation, and consequently the company's earning power has been decidedly lower than in the years prior to 1915. However, at the same time the trustees have pursued a much more liberal dividend policy than during pre-war years. Whereas in the earlier years the trustees were paying out less than one-third of what was earned, in recent years they have been paying out twice as much as they have earned. The liberal dividends during the past four years have given many investors the idea that the properties have been much more prosperous than prior to the war, whereas the case has actually been the reverse.

GREAT NORTHERN IRON ORE

Year	Earned Per Sh.	Paid Per Sh.	Current Assets Per Sh.
1914	$3.72	$0.50	$11.70
1915	.50	.50	11.70
1916	.62	1.25	11.02
1917	2.00	1.50	11.52
1918	2.00	4.00	9.52
1919	2.04	4.00	7.56
1920	2.13	4.00	5.69
1921	.92	4.00	2.61

The annual reports are divided into two parts. The first shows the income and disbursements of the trustees. The trustees' income is received in the form of dividends from the operating subsidiaries. These dividends are usually in amounts substantially different from the actual earnings of the subsidiaries. Therefore, the income of the trustees does not properly reflect the earning power of the company, but nevertheless is used in most analyses for this purpose.

The reports contain a summary of the accounts of the operating companies. These accounts, however, group together items relating to income and items relating to capital. In order to obtain an intelligent idea of the actual results for the year, it is therefore necessary to segregate from these accounts those items which apply properly to income.

Conclusion

A careful analysis of the company's reports since 1914 leads to an unfavorable opinion with regard to the long-pull prospects of these certificates at their present price of around 40. The present large dividend return of 10% appears to be temporary, and made possible only by a gradual exhaustion of cash reserves. The actual earning power of the properties, and their probable life, make the shares look unattractive for either long-pull commitments or nearby speculative possibilities. In view of the above facts and tendencies, it is apparent that holders of these certificates should dispose of them.

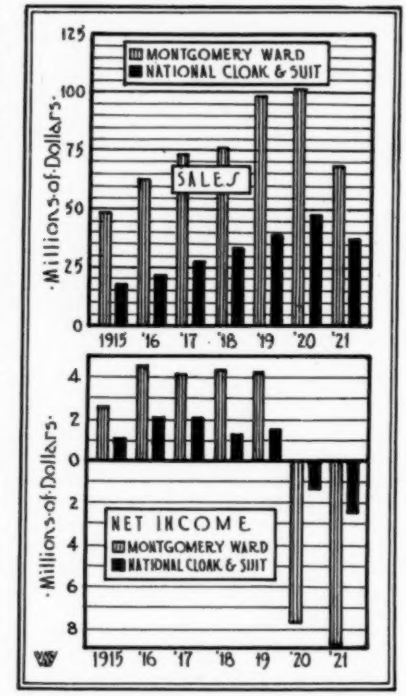
Back to Normal in the Mail-Order Business

The Outlook for Montgomery Ward and National Cloak & Suit

By FREDERICK LEWIS

FROM the nature of their business it was a practical impossibility for the mail-order companies to escape heavy losses during the deflation period of 1920-21. Before the break in prices occurred, demand for goods had exceeded the available supplies of the country for an extended period and in order to give proper service to their customers and retain their good will it was a necessary business policy for the mail-order houses to keep on hand large inventories. The break in prices, as is well known, came almost overnight and buying throughout the country suddenly halted. As a result huge losses in inventory account had to be taken. The poor showing of such mail-order companies as Montgomery Ward and National Cloak & Suit in 1920 and 1921, therefore, should not be regarded as an indication of poor management or lack of conservatism. Before these two years of deflation both companies had shown a very consistent earning power and a steady increase in gross business. The mail-order business is one that under efficient management should show a growth from year to year and there appears to be no good reason why these two companies should not in years to come give a very satisfactory account of themselves.

Losses suffered in 1920 and 1921 were so severe, however, that there was naturally some question as to whether these two companies would come safely through. All doubt in this regard is now dispelled as their business has definitely turned the corner and inventories have been liquidated sufficiently to place them in a reasonably comfortable condition at the present time.



MONTGOMERY WARD

Montgomery Ward sells a widely diversified line of merchandise. It has approximately 6,000,000 customers and its trade extends into every state in the Union, as well as Canada, Mexico, South America and the Far East. It has large warehouses in Chicago, Kansas City and St. Paul and also owns numerous factories turning out its own implements, hardware, housefurnishings, etc.

In 1919 the company was recapitalized and 510,000 shares of new common stock sold, raising approximately twenty millions of new capital. This put the company in strong financial condition, but the losses in the years 1920 and 1921 very nearly reached twenty millions so that the company's working capital and other assets stand at about the same figure as they did before this financing took place.

At the present time the capitalization of the company consists of $4,249,800 7% cumulative preferred stock, 205,000 shares of Class "A" stock of no par value and entitled to cumulative dividends of $7 a share, 1,141,251 shares of common stock of no par value. There is no funded debt. Dividend requirements of the preferred and Class "A" stock are $1,743,000 per annum. There is no question but that this is a rather topheavy capitalization and the company will have to materially increase its earning power before a substantial amount can be shown for the common stock. The best year the company has had so far was 1916, when net income totaled four and a half million. On the basis of present capitalization this would only amount to about $2.50 a share on the common. Earnings for the first six months of 1922 were at the rate of approximately seventy cents a share on the common, but figures for the first six months do not furnish a true picture of this year's earnings, as the actual turn in earnings came late in the period with June the biggest month. The second half, therefore, is expected to show substantial gains over the first.

The rapidity with which Montgomery Ward has recovered its earning power indicates that a very efficient management is now in control of its affairs and while capitalization is heavy it is quite possible that earning power will grow sufficiently in the next few years to justify starting dividend payments on the common. It is decidedly unlikely, however, that any such action could be taken within a year's time, especially as back dividends on the preferred stock and Class "A" stock now total over two and a half million dollars. **At present price of 24 the stock would appear to have rather fully discounted the improve-**

(*Continued on page* 638)

HOW MONTGOMERY WARD AND NATIONAL CLOAK & SUIT ARE RATED

Element	Montgomery Ward: Qualifications	Rating	Rating No.	National Cloak & Suit: Qualifications	Rating	Rating No.
(1) Character	Deals in necessities	Good	4	Deals in necessities	Good	4
(2) Past Record	Good earning power under normal conditions	Good	4	Good earning power under normal conditions	Good	4
(3) Future Possibilities	Business should grow	Good	4	Business should grow	Good	4
(4) Management	Shows efficiency	Good	4	Progressive	Good	4
(5) Financial Strength	Bank loan reduced	Fair	3	Bank loans liquidated	Good	4
(6) Earning Power	Low on present capitalization	Poor	2	High under favorable conditions	Good	4
Total points in favor			21			24

Maximum number of points, 30.

Inquiries on Industrial Securities

Inquiries on Other Securities Will Be Found in Their Respective Departments

ADVANCE-RUMELY

Keen Competition in Industry

Your opinion of Advance-Rumely will be greatly appreciated. I hold 100 shares each of the common and preferred stock, purchased for investment some time ago. If you consider some other stock more attractive I would consider a switch, as the Rumely stocks seem dead at the present time—T. K., Richmond, Ind.

Advance-Rumely for the year ended December 31, 1921, reported a deficit after preferred dividends of two and a half million. Despite this loss, however, it is in good financial condition. Working capital as of December 31, 1921, was nearly twelve million and as the funded debt is less than a million net liquid assets of the company alone are equal to $87 a share on the preferred. From an asset point of view, therefore, the preferred stock is in a very strong position. The unfavorable factor in the situation is the severe competition existing at the present time in the harvesting machinery business. Ford, General Motors and other automobile concerns have entered the farm-tractor industry causing a price war. Under these circumstances Advance-Rumely may find the going hard for some time to come. We believe that in view of the big asset value behind it the preferred stock will ultimately work out satisfactorily, but the immediate outlook for American Steel Foundries common paying the same dividend, $3, and selling ten points lower is more attractive in our opinion. We are not impressed with the possibilities of Rumely common and suggest a switch into American La France Fire Engine paying $1 and selling at 13.

SPECIAL REPORT DEPARTMENT

We have had so many requests for special reports on lists of securities and for complete analytical reports on individual stocks and bonds that we have organized a Special Report Department to handle this work. Charges will vary with the amount of research work necessary but in all cases estimates will be submitted. A complete report on any stock or bond listed on the New York Stock Exchange will be supplied for $25. In analyzing lists of securities definite recommendations are made and desirable switches suggested. This new service does not in any way interfere with the present free service supplied by the Inquiry Department to subscribers which entitles them to a brief report on any three securities.

CRUCIBLE STEEL

Subject to Manipulation

I hold a few shares of Crucible Steel common stock and the recent advance to above 90 enables me to sell out with several points profit. Do you consider the stock intrinsically worth a still higher price? Shall I take my profits or hold on a while longer?—H. S. D., Elizabeth, N. J.

Crucible steel common stock is closely held by a strong financial group and as the supply in the hands of the general public is comparatively small it is much more subject to manipulation in the market than would be the case with a stock that is widely distributed. In our opinion it is very doubtful if the stock is intrinsically worth its present price of 92. Before the war the company did not demonstrate a very large earning power and while it is true that large sums of money were put back into the property during period of war prosperity, it should be noted that the capital stock has been increased from twenty-five to fifty millions by stock dividends. For the year ended August 31, 1921, with depreciation estimated, the preferred dividend was just about earned. While no accurate estimate of earnings for year ended August 31, 1922, is available, a good-size deficit will undoubtedly be reported. Business for the company is undoubtedly on the upgrade at the present time but an early resumption of dividends on the common seems unlikely as the last balance sheet showed a floating debt of three millions and earnings are not yet on a highly profitable basis. In our opinion it would be advisable for you to take your profit and switch into some sounder dividend paying stock such as Westinghouse Electric. Crucible, of course, may be moved up to higher levels and another good course of action would be to put in a three-point stop loss order and if the stock continues to move forward follow the move with the stop loss.

TEXAS CO.

Holds 900 Shares

I own outright 900 shares of Texas Co. stock, some of which I purchased several years ago, so that the average price of my holding is only 25. I would appreciate your advice as to the desirability of continuing to hold this line which represents the major portion of my stock investments.—S. J. L., Newport, R. I.

While we think very well of Texas Company, it appears to us that in holding 900 shares of this stock you are putting too many eggs in one basket. Texas Company has made remarkable strides forward but its capitalization now is pretty heavy with over six million shares outstanding. In our opinion, therefore, it would be wise to distribute your holdings more and our suggestion is that you switch half of this stock into Philadelphia Company, paying $3 and selling around 38. This would give you a much better return on your money and you would have just as sound a security if not a sounder one and one that has a very good chance of appreciating in value. Philadelphia Company has earned its present dividend over a long period of years and earnings the current year are on a very favorable basis. There is a good possibility that within a year's time the dividend rate may be increased or an extra dividend paid.

WANTS TO INVEST $6,000 FOR HIS FATHER

A List Suggested That Combines Reasonable Safety With a Liberal Yield

My father, aged 60 years, has $6,000 which he desired to invest for income. Will you kindly suggest some securities suitable for him.

R. H. H., Newark, N. J.

We judge from your letter that you wish to invest your father's funds in securities that are high grade with safety of principal the first consideration. We are pleased to submit the following list of securities. Suggest that the $6,000 be equally divided among the six securities indicated.

	Price	Yield
Sinclair Consolidated 1st lien 7s, due 1937	99½	7.05%
Philadelphia Company 6s, due 1944	97½	6.20
Wilson & Company 1st 6s, due 1941	99	6.10
South Port Rico Sugar 7s, due 1941	100	7.00
American Steel Foundry Pfd. 7%	100	7.00
American Telephone & Telegraph divd. 9%	122	7.40

This is a very well diversified list and all the securities mentioned are in a strong position so that your father, in our opinion, would assume very little risk in distributing his money amongst them. The average return on the entire investment is 6.8%.

KEYSTONE TIRE

Price Cutting in Industry

I am carrying 100 shares of Keystone Tire & Rubber, which cost me 22. It is now 9¼. Would you advise me to average down in order to even up? Would like to have a report on this company and your advise what to do.—B. V. H., New York City.

You have such a large loss in Keystone Tire that we hesitate to suggest that you take it at present levels as there is always a chance that a stock with the big speculative market that this has had in the past will be moved up again. We can only say that we never thought very well of the stock and advised our subscribers to stay away from it right along. At the present the tire industry is pretty much mixed up and there has been price-cutting. The last balance sheet showed it to be only in fair financial condition, and op-

erations were conducted at a loss the first six months of 1922. We consider Consolidated Textile, selling at about the same price, a security with much more merit behind it. It has sold at much higher grades in the past and now that its mills are all operating again, or practically all, we believe it should do better. This would make a good switch.

ROYAL DUTCH

Interests World Wide

Some time ago the MAGAZINE OF WALL STREET *published an article on Royal Dutch which was favorable to the stock. Since that time the international situation has apparently weakened the market for these securities considerably. I purchased 100 shares at higher prices and would be glad to have your opinion as to the probable future of this stock.—N. H. O., Wilson, Pa.*

We think well of Royal Dutch shares. This is one of the largest and strongest oil companies in the world and the present price of the stock has, as you state, been weakened by the international situation, as well as the uncertain outlook for the moment in the oil industry due to over-production in this country. We regard these factors as really having only a temporary effect on the shares of the company. Its extensive operations in all quarters of the globe place this company in a very strong position in the oil industry and we regard it as having a very promising future.

REPLOGLE STEEL

Speculative Possibilities

Would like to have your opinion on Replogle Steel.—B. A. E., Strathmore, Canada.

Replogle Steel is a very volatile issue in its movements in the stock market. The company has valuable ore holdings and its recent acquisition of the Empire

(*Continued on page* 624)

Industrial ***Oil*** ***Mining***

Investors' Indicator

Current Earnings—Dividends—Working Capital

Industrials—	Dollars Earned per Share in 1921: First Six Months	Dollars Earned per Share in 1921: Twelve Months	Dollars Earned Per Share in 1922: First Quar.	Dollars Earned Per Share in 1922: Second Quar.	Dollars Earned Per Share in 1922: Six Months	Present Dividend Rate	Recent Price	Yield on Recent Price (%)	Remarks—
Allis-Chalmers	3.23	4.07	def.	....	....	4	53	7.5	Working capital, $24,000,000. Deficit after pfd., 1st quarter, 1922, $10,027.
Ajax Rubber	....	def.	....	....	0.17	....	12	...	Deficit, 1921, $5,205,577.
Air Reduction	1.92	4.11	1.25	1.51	2.76	4	56	7.2	Working capital, $3,240,000.
Amer. La France Fire E.	0.96	1.45	0.38	0.42	0.80	1	13	8.0	Working capital, $2,406,755.
Amer. Druggists' Syndicate.	def.	def.	....	....	....	....	5	...	1921 deficit, $683,568.
Amer. Hide & Leather pfd.	def.	def.	def.	def.	def.	....	70	...	1921 deficit, $550,257. Deficit 1st 6 months, 1922, $35,425.
Amer. Locomotive com.	12.00	*13.34	....	....	def.	6	119	5.0	Six Months' deficit, $1,841,780.
Am. Steel Foundries	0.06	0.13	0.54	1.35	1.89	3	41	7.3	Working capital, $13,125,532.
Butterick Co.	3.99	*5.23	....	....	....	....	21	...	Working capital, $3,000,000.
Central Leather	def.	def.	def.	def.	def.	....	39	...	1921 deficit, $11,651,425. Deficit, 1st 6 months, 1922, $629,249.
Coca Cola	2.80	*3.29	1.58	4.17	5.75	4	70	5.7	....
Colorado Fuel & Iron	0.67	def.	def.	def.	def.	....	30	...	1921 deficit, $2,731,172; 1st 6 months, 1922, deficit, $449,699.
Consolidated Textile	def.	def.	....	....	....	....	10	...	Six months' deficit, $673,777; 12 months' deficit $757,058.
Corn Products com.	3.58	9.21	3.47	3.36	6.83	6	114	5.3	Working capital, about $35,000,000.
Endicott Johnson	4.29	10.79	....	....	5.55	5	84	5.9	Working capital, $19,000,000.
Famous Players	13.02	19.01	6.36	6.54	12.90	8	84	9.7	Working capital, $10,800,000.
General Motors	0.31	def.	....	....	1.33	....	13	...	Deficit for 1921, $38,680,770, after deducting $44,465,552 inventory loss and special reserves.
Gulf States Steel	def.	def.	0.40	1.70	2.10	....	81	...	12 months' deficit, $731,915.
Hupp Motor	....	1.39	0.75	....	....	1	17	5.9	Working capital, $2,515,873.
Mack Truck com.	....	def.	def.	3.63	3.53	....	55	...	12 months' deficit, after preferred dividends, $1,009,686.
Lackawanna Steel	def.	def.	def.	def.	def.	....	76	...	12 months' deficit, $3,384,877. Deficit 1st 6 months, 1922, $652,852.
Lee Rubber & Tire	....	0.06	0.92	....	....	2	27	7.4	Working capital, $3,170,521.
Owens Bottle	....	1.09	0.72	1.58	2.30	2	36	5.6	Working capital, $8,491,508.
Pierce Arrow pfd.	def.	*def.	def.	def.	def.	....	24	...	12 months' deficit, $8,963,712. Deficit 1st 6 months, 1922, $36,992.
Republic Iron & Steel com.	def.	def.	def.	0.34	def.	....	72	...	12 months' deficit, $7,415,000. Deficit 1st 6 months, 1922, $625,700.
Stewart-Warner	....	2.19	0.95	3.00	3.95	3	44	7.0	Working capital, $6,000,000.
Stromberg Carburetor	0.68	1.08	0.32	....	....	....	44	...	Working capital, $1,000,000.
Studebaker com.	10.06	16.10	6.49	11.52	18.01	10	124	8.1	Working capital, $30,000,000.
United Drug	....	def.	0.37	0.81	1.18	....	78	...	12 mos. deficit $3,636,326.
U. S. Steel com.	2.15	2.24	def.	0.96	0.88	5	101	4.9	Working capital over $500,000,000.
Vanadium	def.	def.	....	....	0.04	....	49	...	12 months 'deficit, $427,546.
Oils—									
California Petroleum	7.79	11.45	2.64	....	....	....	56	...	Working capital, $2,650,000.
Cosden & Co.	2.71	*0.17	....	....	....	2.50	43	6.0	Increase price of gasoline very favorable.
General Asphalt	def.	def.	def.	....	....	....	69	...	12 months' deficit after preferred dividends, $1,115,372.
Houston Oil	3.89	‡0.4	2.16	....	....	....	76	...	Working capital, $4,350,000.
Mexican Petroleum	17.50	26.82	....	....	§27.88	12	170	7.1	Net current assets, $14,000,000.
Middle States Oil	2.06	4.15	0.77	....	....	1.20	13	9.2	Earnings before depreciation or depletion.
Pacific Oil	1.85	4.64	0.80	1.14	1.94	3	53	5.6	Earnings after depreciation.
Pan-American A	6.07	12.94	....	....	....	6	73	8.2	Owns 70.5% of Mex. Pet. com. and 75.2% pref.
Pierce Oil com.	def.	def.	....	....	....	....	7	...	12 months' deficit after preferred dividends, $6,135,659.
Sinclair Consol	0.60	def.	....	....	....	2	30	6.6	Net current assets, $50,000,000. 12 months' deficit after depreciation, $6,908,000.
White Oil	0.37	def.	....	....	....	....	8	...	12 months' deficit, $2,543,026 after deducting $2,746,447, depletion, depreciation, etc.
Mining—									
American Smelting com.	def.	def.	....	....	....	....	60	...	Six months' deficit, $3,203,966; 12 months' deficit, $2,576,135.
American Zinc pfd.	def.	def.	0.50	1.00	1.50	....	17	...	12 months' deficit, $260,101.
Chino	def.	def.	....	....	....	....	30	...	12 months' deficit, $1,314,204.
International Nickel	def.	def.	....	....	....	....	18	...	12 months' deficit, $1,042,745.
Nevada Consolidated	def.	def.	....	....	....	....	17	...	12 months' deficit, $1,870,337.
Ray Consolidated	def.	def.	....	....	....	....	16	...	12 months' deficit, $1,598,318.
Utah Copper	def.	def.	....	....	....	2	65	3.1	12 months' deficit, $2,058,109.

† Dividend rate given covers regular dividends on yearly basis. Extra or stock dividends are indicated in footnotes.
* After depreciation, taxes and inventory adjustments, etc.
‡ After deducting $1,034,542 for depletion of oil lands and not including payments made by Kirby Lumber Co., which in 1920 were $1,171,875, equal to 4.5% on common.
§ Five months ended May 31.

Building Your Future Income

A Carfull of People

THAT YOUNG FELLOW OPPOSITE

THE young fellow in the seat just opposite: Neatly dressed, clear eyed, tanned from exposure. Probably one of our "genteel clerks," not too much in need of his salary just now. He will be. He will be.

Wonder if he's an investor? He could accumulate a tidy sum in the next ten years by just utilizing the money he doesn't need. Suppose he deposited fifteen a week in the savings bank. Every six months he'd have three hundred and sixty dollars for investment. Placed in high-grade securities—Philadelphia Co., N. Y. Telephone Co., General Electric—there would be practically no chance of loss; there would inevitably be additions to capital in the shape of a good income yield; and there are at least possibilities of a substantial principal enhancement.

Disregard the dividends and the principal enhancement. A crazy thing to do, but let's do it: His investment fund will show a paid-in capital of seven thousand dollars ten years from today. A tidy sum, seven thousand dollars, when he finds himself wanting to buy a home, or an interest in a going business.

* * *

THE ROUGHLY DRESSED TRAVELER

THE other young fellow, in a rough, patched suit alongside of him. A laborer, at first glance. Then you notice his hands, flexible, well-kept; and clean linen. More likely a "trouble shooter" for the phone company, or even more likely a mechanic. Busy as the devil, eight, ten hours a day. No time to watch security movements, and no energy left to study them. Has a good earning power, though, if our experience with mechanics is any criterion. Ought to be able to set aside at least ten a week. What will he do with it?

Let's send him up to a building and loan association to inquire about "instalment shares"—shares of an investment type, which at least one association offers on the instalment plan at a cost of $1 per month per share. With his ten a week surplus, he could buy forty shares.

Now, the particular "instalment share" plan we know of has only been in operation about three years. None of the shares have yet matured. Hence, there is no precedent, yet, on which to base calculations of the period in which payments will have to be continued. But strictly conservative figuring indicates that maturity would be reached within seven years at the latest. Taking this as the maximum period, friend traveler will receive, at the end of seven years, 40 shares worth $4,000, which will have cost him not more than $3,360 in actual deposits.

Get him to leave that $4,000 on deposit. He will receive interest on it at the rate of 4½%, compounded semi-annually, thenceforth. Get him to leave it there for fifteen years more, or while his son is growing up. At the end of the period, the $4,000 would have become nearly $8,000.

* * *

THE LADIES, BLESS 'EM!

THOSE two young ladies over there; flappers, from the word go. Nobody could ever make them put by a penny; not until they're married. Then the difficulty, likely as not, will be get 'em to spend anything.

Suppose one of them should come over here, though, and ask me what to invest in? Only one answer: Madame, while fully aware of the fact that you will never, never take my advice, I nevertheless recommend that you put a little aside every week; and I recommend that you put it in the highest grade security to be had. Go to the nearest Federal Reserve Bank, trust company or even post office, and tell them you wish to purchase Treasury Certificates. For $20 you will receive a certificate which, in 5 years, will be worth $25. Perfectly all right, Madame; no thanks necessary. I know you won't do this anyway, but you asked for my advice, and now you have it.

Smith's Second Attempt

As Told By Himself

By RALPH RUSHMORE

(This is a continuation of the story "How Smith Became an Investor," which began in the June 24th issue.)

HAVING absorbed, as I thought, a certain amount of knowledge about security investments from my friend Brown, I decided to forget my first unfortunate experiences and start in new.

A month's vacation, granted me by my firm as a "special recognition of eight years' hard plugging," gave me the opportunity I wanted.

I took fifteen hundred dollars out of my bank, where it had been lying for some time in company with about eight hundred more, and travelled down to Wall Street. There I located an old college friend, with the firm of Swenson & Swenson. He acted more pleased to see me than I thought the occasion called for, but I was not suspicious.

Swenson & Swenson had a fine, handsome office on Broad Street. (This was in December, 1921.) Getting off the elevator, you passed through a double row of "cages," where there must have been at least a hundred clerks, stenographers and telegraph operators busily at work. Then you came upon a huge "waiting-room" effect, with the word "CUSTOMERS" in great gold letters on the door.

The room, for all its size, was densely crowded. At first I was rather conscious as I stood in it, talking to my friend Jennings. But the consciousness soon wore off when two characteristics of the crowd of men became plainer: First, they were quite evidently too absorbed in the score board that stretched along the walls on two sides of the room, to ever notice me. Secondly, and more to the point, I gradually realized that they were all what you might call "little business men." They had all the earmarks of grocers, clothing dealers, clerks, salesmen, and the like. Some were flashily dressed, some poorly dressed, but not more than four or five were dressed in the quiet, clean-cut style that more or less goes with independent means. Nothing against them, this. I have just as much regard for an honest, up-and-doing delicatessen dealer as I have for a wealthy banker; only the delicatessen man isn't quite so impressive a personality when you meet him in financial circles.

"Got something good for you, Bill," said Jennings before I'd been with him more than five minutes. He spoke in a mysterious, low voice.

"This Villanova Silver—Canadian concern—they're handling the market right across the street—" Jennings raced on, "Made a big strike yesterday, we hear—nobody knows about it except us. We're not putting in any but our best customers—stock's selling at 48 cents a share. With a thousand dollars you could buy twenty-five hundred shares—double your money in a week!" Jennings talked something after the fashion of Sam Weller.

I can still recall perfectly the sensation (it was a physical sensation) his remarks produced in me. My brain sort of reeled and my heart began to hammer against my ribs. As though it had been flashed on a movie screen, I suddenly saw myself enveloped in wealth, written up in the papers as the "canniest bargain-hunter in Wall Street," rolling about town in a new Packard car.

Give me credit, though. I remembered Law One! And I tried to apply it.

"Who's running this—this Villanova outfit?" I asked. "Who's behind it?"

As long as I live, I shall never forget the look Jennings gave me when I asked that question. It made me feel like a gangling schoolboy; it veritably scorched me with disgust.

"Say," said Jennings, *"Don't you know?* Why, Villanova's backed by one of the biggest crowds of capitalists in the mining business. Fellows like Lewisohn and Clark and E. P. Earle—why they couldn't get in with this bunch. Say," he went on, "you oughta know I wouldn't recommend the stock if the bunch behind it wasn't O. K."

The man's tone as he spoke kept up that searing sensation inside me. The feeling grew in me that I'd made a fool of myself—displayed abyssmal ignorance, hurt Jennings' opinion of my mentality, and all because I hadn't known who was "behind" Villanova Silver.

"You say—I ought to double my money in a week?" I asked, timidly.

"Why not?" growled Jennings. "Why not?"

I couldn't think of any good reason "why not," and it didn't occur to me that Jennings had failed to give me any particularly good reason "why." Red and embarrassed, I fished the envelope out of my pocket, counted ten 100-dollar bills from my roll, and handed them over to Jennings.

If only I had known that one of the surest ways of "landing" a prospective buyer is to pretend to find him ignorant!

The rest is history—at least, to all the people who bought Villanova. The stock went up 10 points within twenty-four hours. And thereafter, all of us did just what I did: Fished out whatever remained of our "rolls" (in my case, it was five hundred dollars) and handed it over to the cashier with a written order to buy as much more Villanova stock as he'd let us carry.

It took about twenty-four hours for Swenson & Swenson to rake in all the new buying orders that could be gotten. Then the stock began to slip.

As it went down, point by point, I saw Jennings and the rest of the crew encouraging the poor fools who held the stock, telling them how the decline was just a "natural reaction" or a "shakeout, to get rid of the weak holders." Most of the customers took the balm, and stuck. But I grew suspicious.

While the stock was still a few points above what I had paid for it, I called up my friend Brown. I told him where I was and exactly what I had done, even to the number of shares I had bought and the price I had paid. I described my broker in detail. I asked him what to do next.

"Wait right there," said Brown. "I'm coming over."

Brown must have come on wings. He arrived within ten minutes. With him was a great, burly individual who looked to be a second Jeffries.

I stepped over to welcome Brown, but he greeted me only abruptly. Glancing about the room, he located a private office marked "Mr. Swenson." Without so much as a "by-your-leave," he switched the knob viciously and stepped inside. His burly companion followed him. I brought up the rear.

Mr. Swenson was seated at his desk when we entered. He whirled around in his swivel chair like a startled rabbit when we entered, and his face turned a ghastly white when he saw my friend.

"Hello, McCarthy," said Brown.

McCarthy, *alias* "Swenson," relaxed into a foolish grin at the greeting.

"Well, Mr. Brown," he said thickly, "What can I do?"

Brown talked in a voice that was absolutely toneless.

"You can dig up fifteen hundred dollars in cash from your safe *right now* and hand it over to this man here!" He motioned toward me.

"But, Brown—" I began.

"Shut up, Bill!" retorted my friend. Dazed and totally at loss, I did as I was told.

I saw McCarthy, *alias* Swenson, rise from his desk. I saw him extract a roll of bills from a little safe nearby. As he did this, I saw Brown scribble something on a piece of paper and hand it to McCarthy. It read:

> "Bought and received, from William H. Smith, 4,552 shares of Villanova Silver Mining stock, at a total cost of fifteen hundred dollars ($1500) cash.
> Signed......................."

McCarthy, taking the paper from Brown, read it. Beads of perspiration stood out on his forehead.

"Aw, say," he protested.

"Sign that, McCarthy," admonished Brown, "and sign it *quick*. The district attorney can be reached by telephone, and I have somebody to prevent you leaving this office." He nodded toward his burly companion, who advanced with a mountainous stride toward the broker's desk.

With a gesture of despair, McCarthy signed. Limpid, sore, he handed the sheet back to my friend. Brown's outstretched hand waited for something

more. For a moment McCarthy hesitated. Then:

"Oh, Hell!" he muttered, and handed over the cash.

It was in Brown's private office five weeks later that I learned of the collapse of the firm of Swenson & Swenson. Talking the business over, Brown told me something of McCarthy's past record —how the man had been twice indicted, once through the efforts of Brown himself; how he had bobbed up again each time and resumed business under a new name. Jennings, my one-time friend, provided to have been simply one of McCarthy's innumerable "sucker fishers," as the class is too kindly called—a man who is willing to sell out his oldest friends for the sake of bringing new accounts into a den of thieves—and new commissions into his own pocket. "Villanova Silver," of course, was an out-and-out fake—bait that had been cooked up to attract just such ignoramusses as myself.

With my bank roll back in the bank, thanks to Brown, I could look on the disaster philosophically. And I could see the sense of the Second Law in that bulky, half-finished volume Brown was writing. It read:

FUNDAMENTAL LAWS OF INVESTING

LAW TWO: No matter how much care and discretion you may exercise in your investment selections, your progress is inevitably doomed if you fail to exercise even greater caution in selecting your broker.

When selecting your broker:

(a) Confine yourself to member houses of the New York Stock Exchange or the Investment Bankers Association, or else

(b) Obtain from a reliable, independent authority, such as your bank, your trust company or The Magazine of Wall Street an endorsement of the house you contemplate patronizing.

(To be continued)

Getting Down to Cases on This Home-Owning Proposition

A Calm, Unprejudiced View Based On an Actual, Everyday Experience

By JOHN BAILEY

THE question of owning or renting a home has been debated in these pages many times, and yet I do not believe the question is debatable. If a person expects to move from a locality, for one reason or another, or if there is a reasonable chance of such a move, he should not consider an investment in a home. But to my mind the likelihood of moving is the only one that should deter a person from making his first investment in a home.

We have read accounts of some people who are renting homes for a small portion of what it would cost the home-owner for taxes, repairs and the interest on his investment. We have read of others who own their homes and figure that they are realizing ten per cent on the investment. In the investment market we find much the same state of affairs. One man buys an apparently safe bond, only to have the company go into a receiver's hands with disastrous results to his income. Another buys Southern Pacific stock and is rewarded with oil rights worth a great deal of money. **We have the lucky and the unlucky in both fields. But in considering cases of this kind we should confine ourselves to the average case and eliminate the extraordinary.**

Average Costs

If we consider the average case, then, we come right down to the same problem which we meet in the consideration of all investments. The amount of return on any investment is a direct measure of its desirability as determined by our great mass of investors. A large return in any line, caused by special conditions will start a flow of capital into this line which will gradually cease as the return approaches normal.

The return on real estate is held down by its relative safety. On the other hand, it is increased by its poor marketability. No one knows what this average return is, but the young investor permanently located may rest assured that he will get a fair return on his capital. Just as in other investments it will be large or small in proportion to the judgment he uses in making his selection. It is not a question of type of security in itself, but of which type is most suitable to his circumstances and to the judgment he uses in its selection.

There is now, has been, and always will be a great demand for homes to rent. If it did not pay the owners a fair return they would sell and invest elsewhere. The very fact that so many homes are rented proves that investments in real estate receive their fair return.

If we now acknowledge that landlords on the average are receiving a fair return on their investment, it is very easy to see that the home owner must receive more than a fair return. Ask any real estate man if it pays to rent houses. Ask him to eliminate the present abnormal rents, and possible future subnormal rents, and to base his opinion on average normal conditions. He will probably tell you that it all depends on the tenant. He will tell you that it pays if you get a good tenant but that they are hard to find. He will likely mention the loss due to property being vacant, which he makes up by charging a higher rent.

Points to Decide

It is these two points that should decide the question for any one who is permanently located and does not have to consider marketability. If he buys or builds an average home, with average judgment, he will receive the fair return to which he, or any other owner would be entitled. In addition to this he will receive an amount of return, probably as much as two per cent, as a bonus for having a good tenant (himself in his own house) and for not having any vacancies. If it pays to rent homes to other people (and it must or there would be none for rent) it certainly must pay the home owner who has the above advantages. There are other advantages enjoyed by the home owner but they have been cited many times in these pages and need not be repeated here.

The real reason that so few people realize a good return on their home investment is that they buy or build a home which should rent for, say, sixty dollars and then charge themselves thirty. Take the ordinary individual who is perhaps living in a flat and paying forty dollars a month rent. He buys an eight-room house in a better location. He installs many conveniences if not luxuries, builds a garage for his flivver, and maybe he has room for a garden. In other words he buys a house for ten thousand dollars and which would probably rent for one hundred a month. After a year or so he figures up the interest on his investment, his taxes, repairs, insurance, etc., and finds that they average seventy-five dollars a month. He becomes a bear on the real estate market. "Why, it costs me seventy-five dollars a month to own my own home and I used to rent for forty!" He never stops to figure what he is getting for his money. He is like a friend of mine who would not own a Ford but won't buy a Studebaker because he can get a Ford for less than half the money.

The Writer's Experience

The writer has owned his own home for thirteen years. He did not make a remarkably good buy, or an especially poor one; just an average buy. The house next door is not as valuable but at that time and ever since has rented for thirty-five dollars a month or more. Mostly more. He has kept complete records of all expenses year by year. The yearly expenses would probably not be of interest but the average yearly expenses follow.

Original cost	$4,150.00
Additions and improvements	317.07
Total investment	$4,467.07
Average per year, taxes	62.56
" " " repairs	52.72
" " " insurance	7.30
Average total expense per year	122.58
Yearly rental value, $35. per mo.	420.00
Net return on investment per year	297.42
Annual return on investment, per cent.	6.61

The figures are very conservative, as many of the repairs could well be charged to the capital account as improvements and the average rent would have been more than thirty-five dollars

(Continued on page 626)

Points for Income Builders

What "Bid and Asked" and Other Much-Used Financial Terms Mean

IF you own a security that is listed on the New York Stock Exchange, you can at all times determine the approximate price at which a sale could be made by obtaining the "bid" price thereon.

Vice versa, if you are thinking of buying such a security, you can determine its approximate cost by obtaining the "asked" price.

"Bid and asked" quotations, in other words, are always to be had on any listed security. They are obtained, by your broker, from the specialists in the stocks in question—that is, the brokers who make it a business to keep constantly informed of the supply of and demand for these issues.

In the case of inactive issues, in which transactions do not often occur, it is frequently necessary to consult the "bid and asked" tables to keep track of the current market price of your holdings. Fortunately, the more enterprising dailies publish these tables in full in every issue.

Spread

Although used sometimes in other connections, "spread" is, in most cases, the term for the difference between the current *bid* price of a given security and the *asked* price.

Thus, when Sinclair Oil preferred is quoted 96 bid, offered at 100 (or 96 @ 100, as it is generally put) the *spread* is 4 points.

The less active the stock, the wider this spread will be. Underwood Typewriter, for example, while an unusually high-grade security, is closely held and seldom traded in, and it is quoted 135 @ 150, or with a spread of 15 points.

This larger spread in the case of inactive securities might be explained as follows: The specialist in an inactive stock has only a few orders in it on which to base quotations, and few, if any, recent sales. Hence, the element of guesswork enters into determining what the opinion concerning the stock would be if it became active. The specialist plays on the safe side, keeping his bid price as low and his asked price as high as he dares.

Gushers

A field expression, applying to oil wells which, after being "brought in" (drilled) develop an enormous flow of their own, resulting from underground pressure.

The active element in the securities market once had a great fondness for gushers. Wells that shot out thousands of barrels a day looked to be exciting sources of income—black dollars pouring from the ground.

Experience has tempered some of the gusher attractions. Today the tendency is more or less toward regarding a gusher as a harbinger of misfortune; the reason being that so many of these high-pressure wells have been found to suck in salt water almost as quickly as they pour out oil.

Market Adjectives

Wall Street has a language of its own; and some of its terms are confusing to the newcomer.

Chief among the Wall Street words are the adjectives used to describe the character of the market. There are a number of these, and each one has its own shade of meaning; for example, a market is said to be:

Weak, when price declines are general;

Soft, when stocks and bonds offer little resistance to selling pressure;

Irregular, when the advances and declines are about evenly distributed;

Steady, when the tendency is toward stability (this term is often used after a severe reaction, when things begin to "steady down");

Firm, when the market displays good resistance to selling pressure, and the tendency seems upward;

Strong, when a general upward movement prevails.

Fiat Money

When a government hasn't anything more substantial to back up its money with, the practice of issuing the money under a sort of imperial edict, forcing its acceptance as legal tender throughout the land, has been known to be resorted to.

The money so issued is sometimes called "fiat money."

The term *fiat,* "this shall be!" harks back to olden times when monarchs thought nothing was beyond their power to control, even to the tides of the sea. The reference is rather apt, since the economic laws which "fiat money" flaunts are no less irresistible than those very tides.

Income Builder Develops the Budget Idea

Compares His Actual Costs With Our Theoretical Budget, With Interesting Results

THE following letter is in response to the "Budget for the $2,500-a-Year Man," published in our last issue, in which were shown the expense allowances such a man could assume and still not spend more than from $158 to $183 per month.

B Y F I Department.

Gentlemen: Your budget for the $2,500 a year man in the August 5th issue was interesting. It seems to me, though, that some of your allowances are very small, and there are some omissions. Gas and electric light cost me about $5 per month and coal about $9 or $10 (burning about 7 tons of coal in the winter). The allowance is $6 per month for both in your budget. Nothing is allowed for car fare or telephone.

I have been married about 2 years and have kept a fairly accurate account of my expenses during this time. I paid rent for about 18 months, then bought a 2-family house. I receive rent which will pay the taxes and interest on first mortgage, and I have been making monthly payments on second mortgage, so that what I call "rent" now is actually going toward paying for the house ("savings," really).

My budget is for a $2,100-a-year man, and is as shown in the accompanying table.

I have found it hard, almost impossible, to save anything out of my salary.—C. E. V., Schenectady, N. Y.

Your budget is extremely interesting, Mr. C. E. V. Morevover, we see no opportunity for reducing your living costs, without depriving you of the few pleasures you are now enjoying.

But why end up with that remark about not saving anything out of your salary? By your own enlightened action (which you yourself refer to) in purchasing that two-family house, you have put yourself into the position of securing rent free; and the $30 a month you are applying toward that 2nd-mortgage in reality represents a constantly increasing equity in a property of tangible value; in other words, you are not only saving but investing $30 a month.

It is interesting to note that, including *all* the items (insurance, telephone, etc.) which we purposely omitted from our budget, you exceed by only $7 a month the maximum allowance shown in our budget. In other words, adjusted to your particular case, our budget holds water, even though it was prepared for a man with a larger income.

You do not mention your age, or your business prospects. But assuming (since you have only been married two years) that you are young, you have every prospect of a gradually increased earning power. By keeping expenses down, you should enjoy a correspondingly increasing

TWENTY-ONE HUNDRED A YEAR BUDGET

INCOME	
Monthly	$175.00
EXPENSE ALLOWANCE	
For	Monthly
Rent	$30.00
Food	40.00
Clothing	22.00
Fuel, light	14.00
Telephone	3.00
Labor and laundry	$8.00
Supplies and equipment	5.00
Carfare	4.00
Books and magazines	3.00
Recreation	11.00
Medical	14.00
Charity	3.00
Xmas, dues, insurance	18.00
Total expense allowances	$175.00

saving power as time goes on; and before very much longer, you should be able to make periodic purchases of Government Savings Certificates, high-grade $100 corporation bonds, building and loan association shares, guaranteed mortgage bonds and all the other investment mediums appropriate to the small investor. Add these to the title you will eventually have, free and clear, in your home, and you can see financial independence gradually coming within reach.

An Introduction to Economics

What "Economics" Means—a Working Definition of Wealth

In what follows, Income Builders will find the first article in the promised series whose purpose is to disseminate a practical knowledge of economics, finance and investing. The series will continue in subsequent issues. Comments and suggestions from readers, as the series progresses, are invited.

FOR the average man, a knowledge of the effects that will be produced by a given cause is all that is necessary to an intelligent and enterprising career. He does not need to know the "why" of it, nor be able to explain each step in the reaction. He can make as good use of the practical knowledge he possesses as the scientist can make of his academic learning.

Thus, the farmer who knows, if only from experience, that a given chemical solution will produce better results in certain crops than bone dust fertilizer will do, has all the information he needs. The chemist who can explain every phase of the process can produce no better crops.

Something of this idea is to be followed in this series of articles, where the effort will be to describe the fundamental causes and effects in the economic scheme in such a way that a practical, working knowledge of the subject may be had by the practical, working investor. Academicians, theorists and advanced students—all who make more or less of a profession of the subjects to be covered—may be warned in advance that abstract reasoning, precise definitions, with just the right shades of meaning, and detailed exposition will be carefully and purposefully avoided. While nothing that is necessary will be excluded, everything that is unnecessary will be; for the object of the series is not to produce a volume of monumental proportions, but a reference book on economics and finance which the every-day investor can use in his every-day investing.

What "Economics" Means

Chemistry is the science which treats on *matter* in its various forms, as we find it in the air, the earth and the sea, the relation of these forms, one to another, the effect combinations of the forms will produce, and the uses to which each form can be put. Chemistry has to do with the air we breathe, the food we eat, the innumerable compositions we use in manufacturing the articles our civilization requires.

Physics is the science which treats of the phenomena produced in matter when the element of energy is introduced. It has to do with our gasoline engines, our steam locomotives, our water dams and our windmills. Associated under the almost limitless general terms of physics are the natural forces of gravity, resistance, light, sound, and so forth.

No more abstruse—no less closely related to the everyday life of men and women—is another great science, the Science of Economics. And, what is of greatest interest, this science of economics is as irrefutable in its laws, as inevitable in its application as either of the other two. In a word, Economics is the science of Supply and Demand as related to Wealth, and as such, it involves production, consumption and distribution in whatever form they take throughout all parts of the world, civilized or non-civilized.

Knowing Economics

To know Economics, its causes and effects, its chief laws, its practical application, is to know why your clothing costs what it does, why it is made where it is, why you have to *pay* for it, and in what medium of exchange; it is to know what are the causes of price-cutting and price-advancing in every-day business; it is to know the meaning of "trade cycles," the reason for the clocklike ebb and flow of trade—an inexorable movement which no forces of man's making can deny. "Economics" covers the farmer's planting and the farmer's harvest; no ship ever put to sea that did not go as a unit in some phase of the economic system.

In short, every action taken by man or woman having as its purpose a material gain, is an action taken on an Economic Principle. Little wonder, then, that those who have a thorough, practical knowledge of economic laws, who know how to apply those laws or how to conform with them, are held to be at a great advantage over the more ignorant.

Here are some concise definitions of the term "economics" as supplied by apter pens:

"Economics, in ordinary, every-day speech, is the study of man from a business point of view."—From "Wealth—Its Accumulation and Distribution," by Prof. A. W. Kirkaldy.

"The science (1) which treats of those social phenomena that are due to the wealth-getting and wealth-using activities of man: and which (2) deals with all the phases of his life in so far as they affect his social activity in this respect."—From "Elementary Principles of Economics," by Richard T. Ely, in collaboration with George Ray Wicker.

"The science that treats of the production and distribution of Wealth."—From the Standard Dictionary.

What Is Wealth?

No understanding can be had of what has gone before unless careful knowledge is had of the meaning of *wealth*. For wealth is the basic element of the economic system and, as has been said, its production and distribution are the component parts of the system.

We could go back to the beginning and trace the derivation of wealth in the forms in which we find it today. But that seems unnecessary. It should be enough to say that **wealth is the posession of any article that other people are willing to work to possess; any natural resource, such as farm land, water power or mining claims, capable of producing such articles; or any accepted token, such as paper money, metallic currency, stocks and bonds which evidence either part ownership in such articles or else the ability to procure ownership.**

That phrase, "which other people are willing to work to possess," as used above, may seem a little confusing at first. But a little further investigation will clarify its meaning.

Suppose that you, good reader, held in your possession, rightfully and legally, a tract of 80 acres of standing timber. Suppose you wanted to dispose of it and secure a country estate in its place. If no one were willing to work to get that timber from you, you could only give it away; hence your timber could not be called "wealth;" but somebody would be willing to work to get it, because timber is one of the most useful commodities in our civilization. You would ferret this person out, through the medium of advertising, perhaps, and he would give you for your timber the product of his working—generally what we call money; and, after agreeing on the price, you would make the exchange.

"But," you may say, "many men have money which they have not worked to obtain; it may have come to them through inheritances—they may have simply been born to it. Doesn't that ruin the definition?"

It does not. Every penny held by any man on earth represents the product of effort on somebody's part. As such a product, it may have been handed down, gratis, to some beneficiary under a will; or it may be handed *over* as a gift during the benefactor's lifetime; but it remains just as much the product of somebody's work.

The only variation is in the *kind* of work that produced it.

Résumé

Economics, in its final analysis, is the study of Supply and Demand as related to wealth.

Wealth is the possession of any article that other people are willing to work to possess; or of a natural resource capable of producing such an article; or of any token, such as paper money, representing the product of work.

Public Utilities

America's Premier Common Stock Investment

Reasons Why American Telephone and Telegraph Should Be So Regarded by Investors

By ALFRED MAYS

IN our issue of July 22d we presented a method of analyzing the elements by which a security may be judged. Suppose we apply that test to American Telephone & Telegraph:

Is it a necessity of modern life? It is, because of its vast network of telephone lines, serving practically every city, town and country district throughout the United States by means of 13,400,000 telephone stations, without which modern methods of living would be impossible. Eliminate the telephone from these thirteen million subscribers' homes, offices and factories, and you would set American life back forty years; reduce business efficiency 75%; isolate millions of homes and businesses. The supplying of telephone service is, therefore, an absolutely essential industry.

Its history is one of persistent growth and development, uninterrupted by panics, wars, or depressions. During the past twenty years the growth of the Bell telephone business has been six times as rapid and far more consistent than the growth of the railroad freight traffic in the United States. The system has shown a surplus over interest and dividends each year. Dividends for more than forty years have amounted to at least $7.50 per share per annum; for fourteen years prior to 1921, the rate was $8 per share. In July, 1921, the rate was increased to $9 per share. It is difficult to recall any American corporation which has established a record comparable to this.

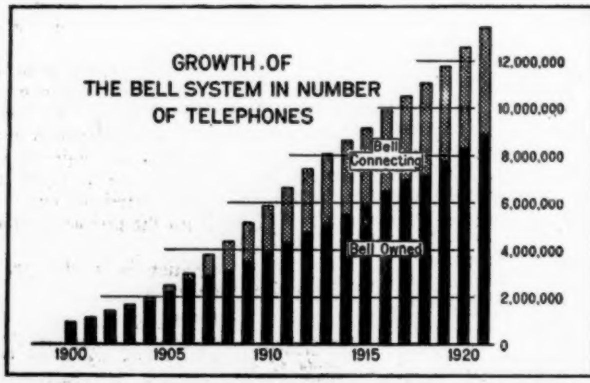
A—With only one-sixteenth of the world's population, the United States has two-thirds of the world's telephones

For over forty years the system has shown a margin of safety over and above dividend requirements, and the surplus so earned each year has been put back into the property. Reserves for depreciation and other purposes have confirmed the legitimacy of the dividends so paid. Immense property values have been built up behind the common stock. These are illustrated in the accompanying graphs.

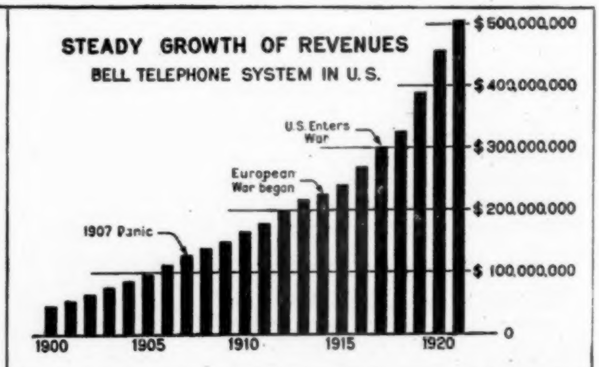
Its future possibilities are unlimited. American Telephone & Telegraph Co. is putting $500,000 new money *per day* into new trunk lines, central stations, conduits, etc., all of which are engineered and planned years ahead in anticipation of the development of its system. Other companies build new plants to meet the demand when it arises, but the Telephone Company builds hundreds of millions of dollars worth of new extensions, or provisions therefor, years before they are needed. In this particular respect the Telephone Company stands in a class by itself.

All this new money goes to increase the equity behind the common stock, each share of which, although selling in the market for $122, has behind it assets of $200 per share, figuring its interest in the assets of affiliated companies at cost.

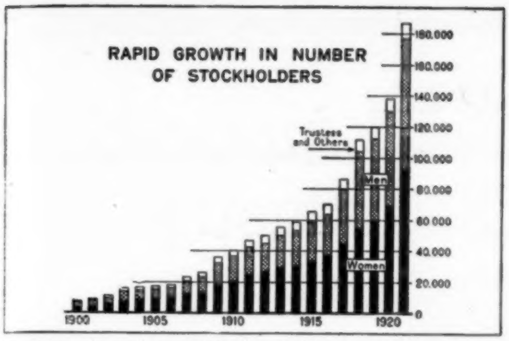
With over thirteen million subscribers (customers) now, and with these increasing at the rate of 500,000 per annum, it will not be many years before the company's clientele is doubled. At the end of 1921 there was one telephone to every eight persons in the United States, whereas there was one to every sixteen persons in 1910. Early in the 1930s there should be one telephone to every four persons.



B—With the 500,000 and more Bell telephones added yearly, there is provided a corresponding increase of buildings, switchboards, underground conduits and cables, etc.



C—In periods of business depression and periods of activity, Bell system revenues have grown steadily. Daily expenditures for expansion amount to $500,000



D—The American Telephone Company has more women stockholders than men. The average number of shares held ten years ago was 67, today it is 29

It has little or no competition. There is no other line of business so thoroughly entrenched as practically to eliminate competition, or one in which competition is so little desired by either the company or the people themselves.

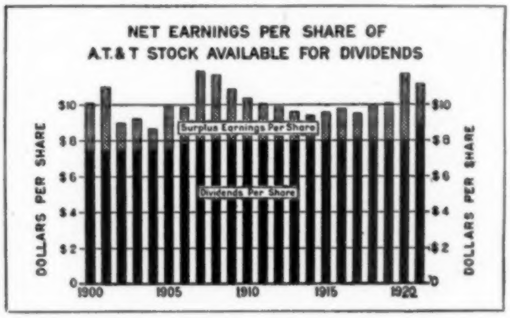
The company is also strongly protected in the matter of patents so that it would be almost impossible for any new concern to supply up-to-date apparatus and equipment. In constructing, through its subsidiary, the Western Electric Co., all of its own equipment, it has insured to the public instruments of the highest and most efficient type, on which it has built a service far surpassing that of any other country on earth. In all the rest of the world combined there is only one telephone to every two of the American telephone system.

Its management is highly efficient. The character of its management is clearly shown in the graphs presented herewith. Without the highest type of efficiency in mangement, no such record as this could have been established. Its business is built upon a foundation of good service in a constantly broadening field. The tremendous financial strength which has been built up beneath its securities, the high confidence in which the company is held, attest to the character of the past and present management. It is not a management representing any large financial interests, for out of the 200,000 stockholders not one owns more than one per cent of the total stock. Fifteen per cent of these are employees, and over 125,000 employees are making periodical payments on stock of the company which they are purchasing on the instalment plan.

Its financial strength is unquestioned. This is best illustrated by the graph entitled "Plant and other Assets and Capital Obligations." Study this and you will see what a small proportion of mortgage debt there is compared with the total value of plant and other assets, and how rapidly these assets are accumulating. Note the proportionate rise in the asset column for 1921—a good indication for the future. Note (graph E) the amount of surplus each year over amount required for dividends, and remember that it is not the object of the Telephone Company to show large earnings on its stock but to earn a liberal margin of safety and put surplus earnings back into the property so as to further aid in financing its future growth.

The American Telephone & Telegraph Co. is the corporation which does the principal financing of the entire Bell system. It sells its own stocks, bonds and interest-bearing obligations, and invests them in the securities of its subsidiary companies, of which it owns about 90% of the voting stocks. A number of subsidiaries sell their own securities, and when advisable, necessary or convenient repay the parent company. By this method the money is raised where it can be done to the best advantage, and the forward-building is accomplished where it is most required.

The Telephone Company's common stock is now paying $9 per share, which, at a price of $122, nets the investor 7⅓%.



E—Long record of dividend payments with a margin of safety in surplus earnings

Recent financing operations of subsidiary companies have proven that local companies can find a splendid market for their securities among their own subscribers, as in the case of the New York Telephone Company's recent issue of 6½% preferred stock which was three times over-subscribed. This leads us to believe that financing through the sale of American Telephone stock will be less in the future than in the past, and that the individual companies will follow out the practice of raising funds as required, looking to the parent company for intermediate financing. Should this conclusion prove correct, the equity that will continue to pile up behind the common shares should make it sell more in line with its earning power, intrinsic value and future prospects.

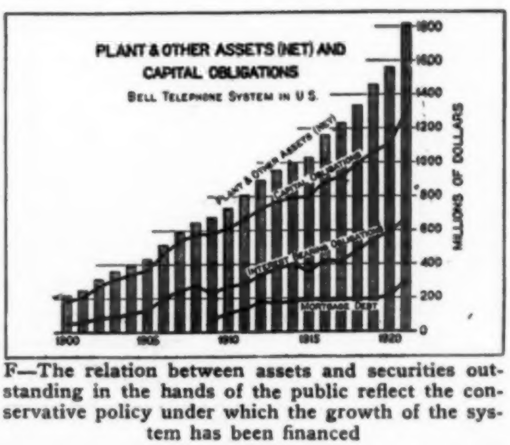
Of course, if this should not be true and the company should continue issuing new stock at par or above to stockholders who are willing to purchase it, it is difficult to state on what basis it should sell in the future. Naturally, a high-grade investment stock of this kind is governed very largely by money rates so far as its market price is concerned, but if the time has passed when new issues of the common stock are to be sold to stockholders, then it is reasonable to look forward to the time when these shares should sell on a basis of 6½% or less, which would mean a very material appreciation in market price.

But even if this should not be the case, the stockholder is bound to benefit by any privileges which the company offers him by way of subscriptions to new stock at anything less than the prevailing market price; for these rights would be valuable in either of two ways: (1) if he sells them at the market price as soon as available, or (2), if he subscribes to the stock so offered, because this in time will bring further subscription rights if that policy should be favored in the future.

Should the company definitely announce that its common stock is not to be increased in future, the natural result would be a material enhancement in market value.

This common stock of the American Telephone & Telegraph Co. is better secured than a great many bonds and far better secured than a great many preferred stocks, both of which sell at prices that yield less than the present 7.3% on Telephone. If this stock should sell on a 6% basis it would mean a price of $150. As an 8% stock it formerly sold from 130 to 140, and frequently above that figure.

For the above reasons, and many others, American Telephone & Telegraph Co. common stock should be regarded as the premier investment common stock of these United States. It is as sound as the rock of Gibraltar; its history, character, management, financial strength, earning power, control of its field and future possibilities, are unquestioned by any financial authority, and I believe that in calling attention to its eminent qualities, I am expressing what is in the minds of all capable judges thereof.



F—The relation between assets and securities outstanding in the hands of the public reflect the conservative policy under which the growth of the system has been financed

Petroleum

Trouble in the Oil Industry

Over-Production Unsettles Prices — Industry Not Yet Stabilized — Depression Probably Temporary

BEGINNING with the announcement of a 25 cent reduction in the price of California and Mid-Continent crude oils on July 15, and the slashing of Penn two days later, the oil industry was launched on one of its characteristic periods of rapid readjustment. As in the past, these cuts were merely forerunners of additional reductions and within another two days Penn crude suffered a further drop of 25 cents which was succeeded by a general realignment in all fields in due time.

Rapid gyrations in the course of quotations have given the industry chills and fever on more than one occasion and have been a prolific source of concern to producing interests before this, but with commodity prices generally on the upgrade and business recovery well under way, the upset in oil has attracted considerable interest and various reasons have been assigned for these latest developments.

Accompanying the announcement of the first cut in California crude oil was the statement that over-production was responsible for the readjustment, and when the Standard Oil and Sinclair interests inaugurated a third revision of Mid-Continent crude early in August it was stated by the latter company that operators had failed to heed repeated warnings that unnecessary drilling would result in just such action. On the other hand, there have been those who have not hesitated to advance the Government's investigation of the gasoline situation as the moving motive in revamping of quotations on crude oil and its principal refined product.

Without entering into a discussion of the latter phase of the situation it is evident, as pointed out in THE MAGAZINE OF WALL STREET in a previous review, that the continued pressure of over-production and the increasingly unfavorable statistical position were sufficient justification for a break in existing quotations. In California, excess of production over consumption averaged 45,000 barrels a day in the first half of the current year. Oklahoma has been a notorious offender in adding to the burden of heavy production and for several months daily average crude output has been growing. The increase in daily production over that of June, 1921, was some 100,000 barrels, although there has been no corresponding increase in the amount of new development work. The explanation for this apparently contradictory situation lies in the extraordinarily heavy flush production from wells in the Bristlow, Burbank and Lyons pools. Because of the unusual productivity of these pools the State has accounted for more oil than ever before.

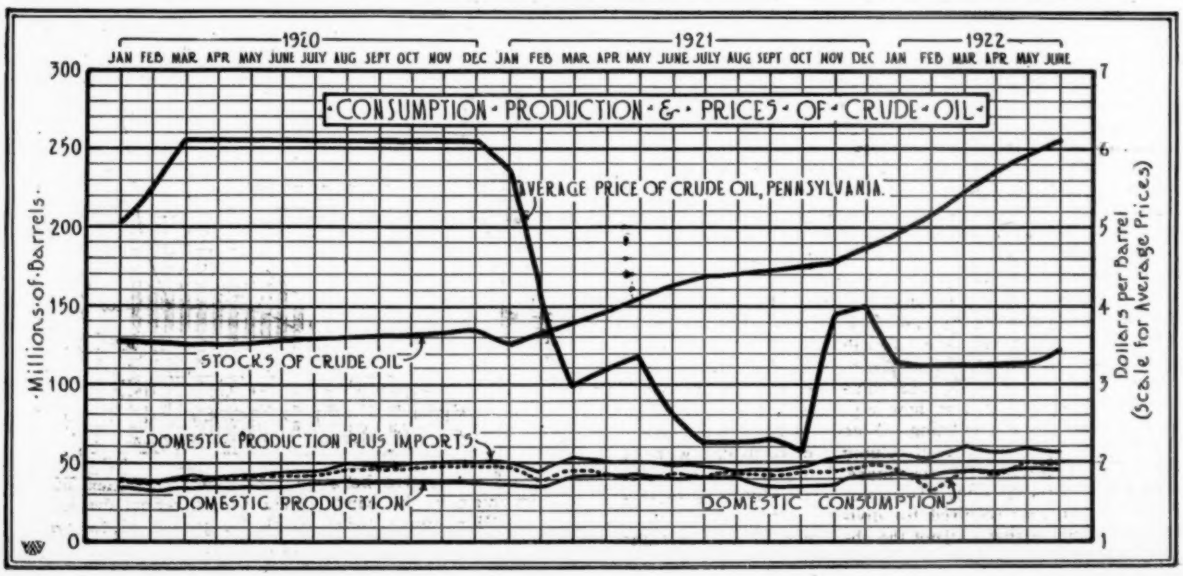
Mexican Imports

On top of this large output of domestic producers, imports of petroleum from Mexico had been growing steadily in volume. Importations of oil from this source for the first six months of the year reached a total of 64,855,000 barrels compared with 56,123,000 barrels in the same period last year. For the whole of 1921, exports to this country from our southern neighbor were 125,307,000 barrels, very nearly three and one-half times as great as in 1918. Domestic production, which totaled 335,513,000 barrels in 1917, had expanded to 469,639,000 barrels in 1921 and for the first half of 1922 output was 221,697,000 barrels, or slightly less than 13% greater than in the similar period of the previous year.

Consumption of petroleum has likewise shown steady growth, increasing from 367,490,000 barrels in 1917 to 524,981,000 barrels in 1921—reaching record-breaking totals during the current year. But while domestic consumption has consistently been running well ahead of home production, the addition of a constantly increasing supply of imports has more than made up the deficiency, and as a result of this condition stocks of crude oil in the United States have risen at a rapid rate.

In 1918, storage of crude touched a high point at 148,129,000 barrels in February and a low of 128,311,000 barrels in December. In 19291, stocks which were

(*Continued on page 627*)

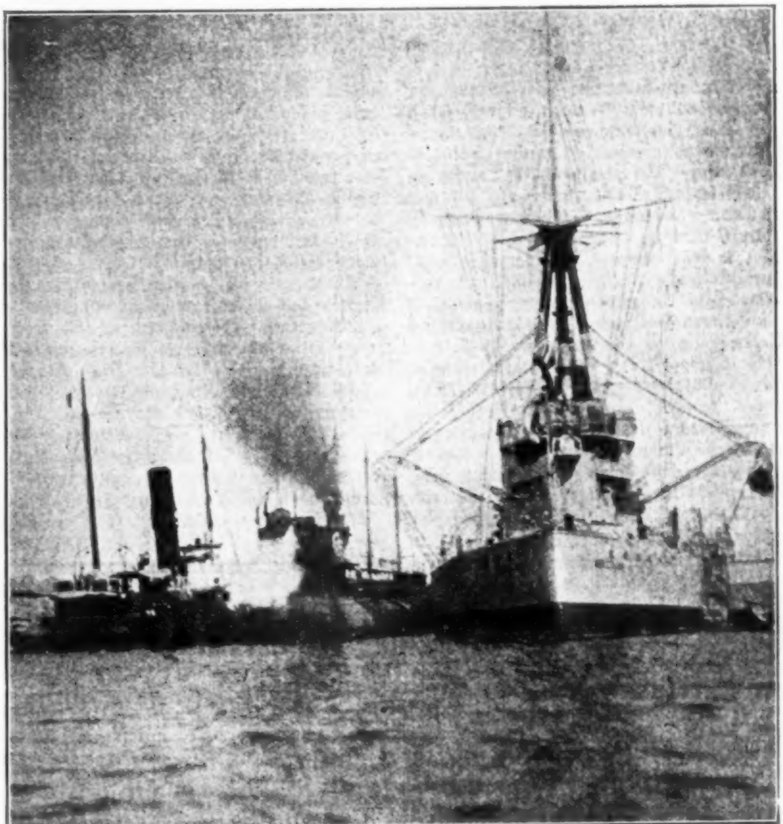


Sinclair Fulfilling Expectations

Big Corporation Rapidly "Catching-Up" With Capitalization—Standard Oil Affiliations

By JAMES W. MAXWELL

THE Sinclair Consolidated Oil Corporation is working in such close accord with one of the largest subsidiaries of the original Standard Oil Corporation—S. O. of Indiana—it is no longer being looked upon as an out-and-out independent; indeed, in some quarters the company is regarded as a Standard unit in effect, if not in fact. This is one of the chief points of interest in the company's present position.



British warship New Zealand taking on supplies of fuel oil from Sinclair barge Britannia in Havana Harbor, Cuba

The Early Company

Sinclair was organized in its present form in the gala year 1919, when the greatest oil boom yet known in this country was in full swing. Apart from the important position the company immediately assumed in the oil industry, there was much of the dramatic in its organization; for Sinclair Consolidated Oil represented the culminating achievement of Harry F. Sinclair, who had started out as a compounder in a drug store in Independence, Kansas, not so many years before, who had gone into the producing end of the oil business with Pat White, now chairman of the White Oil Corporation, scored success after success, leading up to the formation of the $8,000,000 Sinclair Refining Company in 1908, and, as we say, culminating in the consolidated holding company formed in 1919.

The size of the financial structure of the consolidation is illustrated by the fact that over 3,757,000 shares of common stock were outstanding by the end of 1919, carried in the company's balance sheet at a value of more than $191,000,000. In addition, there was a funded debt of some proportions.

The capitalization of the holding company, apart from the contrast it bore to Sinclair's first oilfield operations, was the subject of considerable discussion, interesting in the light of later events. With organization effected at a time of boom prices in the oil industry, the more or less natural deduction was that a good part of the Sinclair holdings represented inflated values, and not a few of the sages amused themselves estimating the percentage of water included in some of the property valuations.

The Sinclair Policy

Following organization, it became the Sinclair policy to utilize the great financial resources of the company and a large part of its earning power in the acquisition of new property interests, as well as in the development of the company's own resources. Investments were made in producing territories in many of the important pools of this country—principally, the Mid-Continent—as well as in Mexico, Cuba and even in distant Africa. A large refining capacity was also constructed, now amounting to over 45,000 barrels daily, as well as compounding plants for manufacture of lubricating oils and casing-head gasoline plants.

Transportation and storage facilities were also developed in extensive fashion, including nearly 160,000 deadweight marine equipment tonnage, bulk-oil terminal facilities, and so forth. Over $30,000,000 was invested in pipe line.

The policy of expansion and forward-looking development which the company practised gave the impression of a dissipation of resources in some quarters, and

(*Continued on page* 646)

HOW SINCLAIR IS RATED

Element	Qualifications	Rating	Rating No.
(1) Character	Essential industry	Excellent	5
(2) Past Record	Poor, but improving	Fair	3
(3) Future Possibilities	Increasing demand for products	Good	4
(4) Management	Aggressive and efficient	Good	4
(5) Financial Strength	Steady improvement	Good	4
(6) Earning Power	Susceptible to fluctuations in industry	Fair	3
	Maximum rating, 30.		23

Mining

How Copper Stocks Are Rated

Lining Up the Best Copper Stocks and How They Compare With Each Other

By ROBERT SAUNDERS DOWST

IN THE MAGAZINE OF WALL STREET for July 22 Mr. Wyckoff developed a simple but comprehensive and useful arithmetical method of rating corporations and their securities by assigning values from 5 to 1 to the several different elements involved in a company's past and future, then by adding the different figures to reach a total or—in mathematical parlance—a coefficient intended to represent the company's present growth in comparison with others similarly treated. Subsequently I suggested that it would be well to adopt a fractional presentment of the result, the total of the values of the three future elements constituting the numerator of the rating, the total of the values of the three past elements constituting the denominator. This suggestion was made because it is highly desirable for a rating to distinguish between past actualities—which are water under the bridge—and future prospects. The future elements involved in this system of ratings, it will be remembered, are (1) character of business or product, (2) general possibilities, and (3) character and quality of management; the past elements are (1) general record, (2) financial strength and structure, and (3) demonstrated earning power.

TABLE 1

Stock	Future			Past			Net Rating
	Character	Possibilities	Management	Record	Financial Strength	Earn. Power	
Anaconda	5	3	5	5	4	5	13/14
Cerro de Pasco	5	4	5	5	4	5	14/14
Chile	5	5	5	3	3	1	15/7
Chino	5	4	5	5	5	5	14/15
Greene-Cananea	5	3	5	4	4	4	13/12
Inspiration	5	2	5	2	3	3	12/8
Kennecott	5	5	5	5	4	3	15/12
Miami	5	3	5	5	5	4	13/14
Nev. Consol.	5	1	5	5	3	3	11/11
Utah	5	4	5	5	5	5	14/15

"New York" Coppers Chosen

In order to apply and test this system of ratings carefully and on a fairly extensive scale, I have taken the most prominent of the New York Stock Exchange coppers as a group and rated them after a rather searching examination, and finally checked them after a simple system of my own against past market-movements in order to discover whether there was any correspondence between the two results—a correspondence which did in fact appear though I worked the ratings out quite independently from the other investigation. It is the purpose of this article to present the ratings, also the checking results—thus incidentally pointing out the two or three, or even the four or five, New York Stock Exchange coppers which apparently have the best prospects under a dispassionate examination.

I will observe, before presenting the figures and commentary thereon, that a multiple rating-system such as this, even apart from the concrete figures reached, is highly useful in that it leads to full consideration of all factors involved and concomitantly prevents the formation of long-pull market-judgments erroneous because lop-sided. I chose the New York rather than the Boston coppers to rate because much fuller information is available regarding them and because of the fact of greater public interest. I will also point out that the difference between the highest and lowest ratings I have assigned is not very great simply because all the coppers treated are of real intrinsic worth; the cream of the list has been taken, though one or two, as Inspiration and Nevada Consolidated, are not at all in a class with the others.

Before stating briefly some of the reasons for the figures in Table 1 it will be convenient to list these stocks according to rating instead of alphabetically. In case of a tie, as of Kennecott and Chile, both 15 stocks as to the future, the better rating as to the past determines the precedence, and vice versa.

A perfect rating is 15/15, since the values assigned the three past and the three future elements range from 1 for "bad" through 2 for "poor," 3 for "fair," and 4 for "good," up to 5 for "excellent." No stock in this copper-group has been given a 15/15 rating, though Utah and Chino stand 15 as to the past and Kennecott and Chile 15 as to the future. Moreover, it should be noted that these are ratings of copper stocks and copper stocks only; in other words, if any railroad and industrial securities were embraced in this rating-essay the estimated values of all the coppers would have to be scaled down to some extent in recognition of their more speculative character as a wasting security, so called. But as it is I have been able to rate them as coppers, in comparison with themselves only.

Reasons for Ratings Given

Now for the reasons that led to my giving the values previously set out.

In the first place, copper is obviously an essential of modern life and industry; therefore all the companies received a 5 as to character of product. In the second place, not only do all these companies enjoy able and efficient management; many of them are under group-control; and the only thing to do was to give them a 5 as to character of management. These two uniform 5 ratings had much to do in preventing the final ratings from being wider apart at top and bottom.

Since they are not uniform, the other ratings will be more conveniently justified by companies.

Anaconda was given a 3 as to possibilities on account of the vein-character of its mines and the depth of the workings, as well as the evident necessity to subordinate it to the Kennecott-Chile-Utah-Cerro de Pasco group. Its record and earning power obviously called for 5s, and as to financial strength it was given a 4 on account of financing necessities. Its acquisition of American Brass has been weighed.

Cerro de Pasco was given a 4 on possibilities because to my mind it is better as a copper *mining* proposition than Anaconda while somewhat inferior to Kennecott and Chile, and a 4 as to financial strength and structure largely on account of its convertible bonds and recent expense for smelter construction.

Chile was given a 5 as to possibilities because of its enormous reserves, a 3 as to record for obvious reasons, a 3 as to financial strength because its capital structure is only in part justified by its enormous potential values, and a 1 as to earning power because it has always shown deficits, being in the development stage.

TABLE 2

Future		Past	
Kennecott	(15)	Utah-Chino	(15)
Chile	(15)	Cerro de Pasco	(14)
Utah-Chino	(14)	Anaconda-Miami	(14)
Cerro de Pasco	(14)	Kennecott	(12)
Anaconda-Miami	(13)	Greene-Cananea	(12)
Greene-Cananea	(13)	Nevada Consol	(11)
Inspiration	(12)	Inspiration	(8)
Nevada Consol	(11)	Chile	(7)

Chino has been given a 4 as to possibilities because of the necessity to subordinate it to Chile and Kennecott. Otherwise, throughout, it has been rated 5 for obvious reasons, its capitalization being very low in proportion to reserves, its record splendid, and its earning power high.

Greene-Cananea has been given a 3 on possibilities as a Mexican property rather than the 4 which it would have received as an American operation, and 4s throughout as to the past elements of record, financial strength, and earning power largely on account of the necessity to subordinate it in these respects to other operations, as Utah.

Inspiration has been given a 2 on possibilities on account of its high production-costs and relatively low reserves per share; its record is rated poor at 2 in view of the fact that it never made money before the war, though its earning-power rating is raised to 3 by its war profits, while its unexpended surplus of them gives it another 3 on financial strength. Personally I regard Inspiration as grossly overvalued in the market through a harking back to war conditions.

Kennecott, as the evident equal and perhaps superior of Chile, has been given a 5 as to possibilities—a rating amply justified by its ownership of the Braden South American properties, of about ⅓ of Utah, and of about ½ of Motherlode. The 4 rating as to financial strength instead of a 5 is on account of its bond issue, or rather its notes. Its earning power can justly be rated only 3, or fair, in view of the fact that it paid no dividends until the war, though of course the present corporation was not formed till 1915.

Miami receives a 3 as to possibilities on account of its relatively limited reserves, and a 4 as to earning power because it cannot justly be given a 5 in comparison with Utah and others despite its brilliant recent record under trying copper conditions.

Nevada is rated 1 as to possibilities because of its limited reserves and high costs, though it might have been given a 2.

Utah is rated perfect throughout except as to possibilities, and its 4 rating there is due solely to the necessity to subordinate it to Chile and Kennecott—which latter owns part of Utah itself.

So much for the ratings. The results have already been tabulated, and the several stocks placed in order as to their past histories and future prospects. I have no disposition to claim that the results here reached are infallible; **I do, however, believe that the five stocks given 15 and 14 ratings as to the future—Kennecott, Chile, Utah, Chino, and Cerro de Pasco—are the absolute cream of the New York coppers, and that the market will demonstrate the fact over a reasonable period.**

Checking Process

Now for the checking process. In performing it I have taken the high and low prices for these stocks since 1912 or since organization, the present price, the number of points the present price is *above the low* and *below the high*, subtracted the former, or *actual* rise above low, from the latter, or *potential* rise of the stock, and so obtained a net figure for each representing the present buying-position of the stock and also its speculative possibilities as estimated in the past by the market. Thus, for Utah, with a high since 1912 of 130, a low of 41⅝, and a present price of about 66, the market indicates a net figure of 40, reached by subtracting the number of points it is above low, or 24, from the number of points it is below high, or 64. Table 3 gives the same method as applied to all these stocks.

These figures based on past market movements are more or less valueless as predictions. For instance, in the above table, the low net differential of Greene-Cananea at 2, it being at present 24 points above its low and 26 points below its high, is caused by the stock's abnormal—in relation to the others'—low of 7½ in 1912, when it was a mere prospect, though dividends were paid in that year. And the large differential in favor of Utah in terms of points is due partly to the fact that Utah is the highest priced of the coppers, and therefore has sold over a wider range. Moreover, Kennecott's differential of only 7, as against Nevada's 8, is caused by the fact that Kennecott went last year to a low of 14¾—an undervaluation much more extreme, to my notion, than that suffered by any other copper stock whatever. Such undervaluation works directly to reduce the differential.

The market is never an infallible prophet of individual security values, though it always is of the larger movements of business as a whole and in the mass. An interesting article could be written on this subject, giving whys and wherefores, but I mention the point only to emphasize the fact that it is useless to expect any mere record of past price movements, or deductions therefrom, to prognosticate the eminently successful stocks of the future. The past is the past, though of course the market always peers anxiously ahead, and in the copper differentials just developed from past movements we find in a medium position such stocks as Kennecott, Chile, and Cerro de Pasco, which the ratings first given indicated as having supreme possibilties. And this of course is precisely the confirmation of the ratings which it was hoped the checking differentials would establish, for it would be a most unlikely thing that the stock—particularly among mining stocks—with the brightest future should also have the most reassuring past. On the other hand, when we look to the independently established ratings, and find that the stocks rated highest as to the past are precisely the stocks which actual market-movement differentials in Table 3 place first, the fact establishes a strong presumption that the ratings are just, since verified by self-established differentials, which presumption in turn establishes another that ratings so correct as to the past are also correct as to the future.

The writer has no disposition to insist unduly on the accuracy of these copper rankings. Still, in the field of long-pull forecasting, it would seem to be reasonable to work in detail, as he has done, and to stick by conclusions unless obviously erroneous. That Kennecott, Chile, Utah, Chino, and Cerro de Pasco are the five best New York coppers from a long-pull standpoint is most certainly a conclusion not obviously erroneous, but rather one that can be supported both broadly and in detail—as by the ratings in Table 1. Of these stocks, Chile is preeminently one for the pull of several years, as suggested by its rating. Kennecott combines in unique degree present value and future prospects, and therefore is a buy both for the pull of several years and for the next real copper market, while Utah, Chino, and Cerro de Pasco, though without Kennecott's extreme possibilities, nevertheless have liberal long-pull prospects and very brilliant prospects for the next real copper market. Utah, indeed, is pointed out by its differential of 40 as the most promising buy for the first copper boom, though it must be remembered that its higher price than the others in dollars per share means that the differential of 40 must be readjusted downward in comparison with Anaconda's 21 or Chino's 17.

TABLE 3

Stock	High	Low	Present	Above low	Below high	Net
Utah	130	41⅝	66	24	64	40
Anaconda	105⅛	24¼	54	30	51	21
Chino	63⅛	16½	31	15	32	17
Cerro de Pasco	67½	23⅜	38	15	29	14
Nevada	34⅛	8⅜	17	9	17	8
Kennecott	64¼	14¾	36	21	28	7
Inspiration	74¼	18⅞	41	27	33	6
Chile	39¾	7⅜	22	14	17	3
Miami	49⅛	14⅛	30	16	19	3
Greene-Cananea	57¾	7½	31	24	26	2

To put it in a word, if history repeats itself in the market, and it more often does than not in the absence of radical change in the substantive value of a stock, Utah at the present time and present price offers the buyer a differential of 40 points in his favor.

Inquiries on Mining Securities

Inquiries on Other Securities Will Be Found in Their Respective Departments

CALUMET & HECLA

Operations Resumed

I am looking for a good copper investment as I believe that the copper companies face a period of greater prosperity and that by holding for a year or two I would be able to take a handsome profit. In looking over the various copper companies I am impressed with Calumet & Hecla, as this stock in the past has sold as high as $1,000 a share and can be purchased at the present time around 285. Please give me a few facts in regard to this company and your opinion of the stock.—B. A. G., Fitchburg, Mass.

Calumet & Hecla owns over 200,000 acres of land in Keweenaw and Houghton counties, Mich. The Calumet & Hecla mine proper is a tract of about 2,800 acres. The old mine is opened by over 200 miles of shafts, levels, winzes and raises. Another portion of the mine has 30 miles of underground workings. A number of the underground workings are down between six and seven thousand feet and some will probably be put down to 9,000 feet. In a mine such as this it is impracticable to block out any large amount of ore reserves and the life of the property cannot be definitely forecast as in the case of porphyry properties. Best mining opinion, however, is that the property is nowhere near exhaustion.

In line with the policy of other large producers the mine was shut down in April, 1921, operations being resumed in May of this year. In July it was announced that the company was working its reclamation plant and that production therefrom was running at the rate of 1,000,000 pounds a month, at a cost of 6 cents a pound. This company has paid out a total of $152,250,000 in dividends, which compares with a capitalization of $2,500,000 stock of a par value of $25. No dividends have been paid since 1920, when $5 a share was distributed. In 1919, $10 was paid, in 1918, $55 and in 1917, $85. We regard the stock as an attractive copper investment at present price of 285, as net liquid assets alone are equal to $123 a share and there is every reason for the belief that its large earning power of the past will return at least in part.

BATOPILAS MINING

Properties in Mexico

I would appreciate receiving from you any information you have on Batopilas Mining. I hold a small amount of the stock and now that conditions are better in Mexico I would like to know if the company's properties have any possibilities.—K. T. W., Waterbury, Conn.

Batopilas Mining Co. has its mine and mill in southwest Chihuahua and this property is again in fair shape. During the five years that the company was ordered by the State Department to keep its American employees out of Mexico, the mine and mill were run by Mexican leasers, with one-third the output going to the company. This resulted in the mine being practically stripped of developed ore and considerable development work has been necessary to open up new faces. Operation of the mine should result in a small profit but the property does not appear to offer possibilities of very large earnings. In the pre-war period earnings on the stock were comparatively small. In 1914, 2 cents a share was earned; in 1913, 13 cents; in 1912, 17 cents. Interest on the $366,500 bonded debt has been paid up to June, 1918, none since.

There is $8,931,980 stock outstanding of a par value of $20. The only dividend paid on the stock was 12½ cents in 1907. The stock has been dealt in on the New York Stock Exchange since 1907. Possibilities appear to be mediocre but the stock from time to time is given a speculative upward move of a point or so and our suggestion is that you wait for a small advance in price and then sell out.

WANTS BEST COPPER STOCK

Utah Suggested

I believe that the copper stocks are going to do much better in the next six months and I have about made up my mind to make a purchase. What copper stock do you consider the most attractive, preferably a dividend payer?—C. L. I., Santa Barbara, Cal.

If you want a dividend-paying copper stock the list to choose from is a small one as very few are paying dividends at the present time. We do not believe that you could do better, however, than to select Utah Copper as your purchase. This company is paying dividends at the rate of $2 a share. It is one of the lowest cost producers and has piled up a large cash reserve. Moreover, it is a speculative favorite and in any advance in the copper group is likely to take a prominent part. We agree with you that the coppers should do better in the next six months as copper stocks have been greatly reduced.

KERR LAKE MINES

Cobalt Property Worked Out

A few years ago I bought 300 shares of Kerr Lake as a mining investment. Dividends received have marked down the average price of the stock to about $4 after allowing myself 6% on my investment. At present price of 3¾ it shows me a small loss. In your opinion is it advisable to hold the stock or accept the small loss and switch into something with better possibilities?—J. G. H., Fulton, N. Y.

Kerr Lake Mines, Ltd., has suspended operations on its Cobalt properties as ore available is not sufficiently high grade to pay for operations under present high costs. Development work on the property has not been satisfactory and it looks as though this property is about through, although it probably will be worked again on a small scale. A subsidiary company, the Vipond Mining Co., is operating a property in Boxelder County, Utah, that appears to show some promise. Net liquid assets of the company are approximately $2 a share. The company also has an interest in other mining properties. In view of the liquidating value of the stock it does not appear to be selling unduly high at present price of 3¾ and may do better in the market. In our opinion, however, it would be a good move on your part to sell out at 3¾ and switch into Radio Corporation preferred, selling at 3⅛. This stock is likely to pay dividends within a year's time of 7% on its $5 par value, which should justify a price of about 5. By making this switch you would be pretty sure of ultimately getting about 5 for your holding, while Kerr Lake stock may not appreciate further in value.

AMERICAN SMELTING

Earnings Improved

I have held for investment for some years 50 shares of American Smelting, purchased at considerably higher prices than those now prevailing. While I do not absolutely need an immediate return on this investment I do not care to hold non-dividend paying securities any length of time. What are the prospects for dividends? Would you suggest switching into some dividend payer now?—H. A. W., Owensboro, Ky.

While American Smelting & Refining has not issued an official report of earnings in the current year, reliable estimates are to the effect that in the first six months the preferred dividend was covered and a balance left for the common. The last six months should show up still better. As the company is in very strong financial condition it can resume dividends on the common at any time. Another six months will see the common stock on a dividend basis in our opinion, and as you have held the stock for a long time it does not appear advisable to take a loss in it now that the outlook is more encouraging.

INTERNATIONAL NICKEL

Has Speculative Possibilities

I would like your opinion on International Nickel as a long pull speculation.—T. W., Toledo, O.

International Nickel operated at a deficit in 1921 because of small demand and large surplus stocks of the metal necessitated the closing down of the property. This situation has greatly improved in the past few months and the company is now operating at a profit. International Nickel has a practical monopoly in its line and there is little likelihood of important competition in the future. There is every reason for believing that the company will be able to maintain a fair earning power for years to come. Its financial condition is strong. At present levels of 17 we regard the stock as having attractive long pull possibilities.

Trade Tendencies

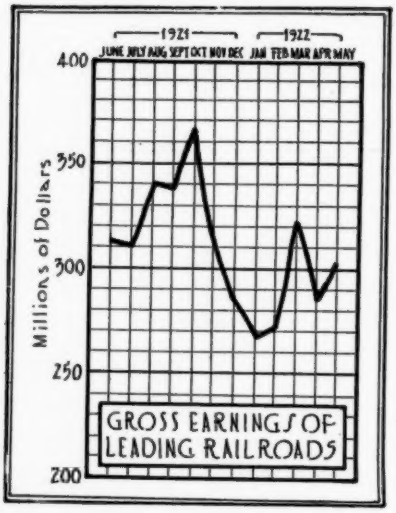
Hesitant Tone in Business

The Strike Factor—Price-Cutting in Some Lines—Strong Basic Situation

RAILROADS

Earnings on the Upgrade

EARNINGS statements of the carriers for the month of June continued the favorable showing of May, in fact, net operating income for the roads as a whole was well ahead of



that for the previous month. With the reduction in freight rates as of July 1 largely offset by a cut in wages, the July reports might have been expected to show a further progressive gain but for the interference of the shopmen's strike and the check sustained by business generally through prolongation of the coal strike. In spite of these handicaps, the July figures will probably compare very favorably with May and June. The outlook for August earnings is not so certain at this writing since the effect of reduced volume of freights at the beginning of the period may be offset by settlement of the strikes and a consequent rush of traffic before the month is greatly spent.

Broadly the trend of railroad earnings should continue upward for some time. Freight car loadings have shown a steady increase in volume of traffic, over and above seasonal variations, despite the restricted movement of coal from the mines. The effect of the coal strike has been to increase movements of that commodity over some roads while others have suffered from the stoppage of mining in the regions served by them. Loadings of merchandise and grain have shown gratifying increases over corresponding periods of 1920, a year that gives a fairer basis of comparison than 1921.

The prospects for large crops of wheat and coarse grains for this season augurs well for heavy volume of freights in coming months. The carriers have succeeded in getting a firm grip on operating expenses, as is evidenced in many cases by the increase in net revenue in the face of smaller gross earnings than last year. With the existing strikes definitely settled business is likely to resume its upswing and the carriers may be expected to have difficulty in meeting the demand for service pent up by several weeks of retarded activity.

With operating expenses once more under close control on the one hand and volume of traffic growing on the other, net earnings should give indications of old time form.

COMMODITIES

(See Footnote for Grades Used and Unit of Measure)

	1922		
	High	Low	Last*
Steel (1)........	$35.00	$28.00	$35.00
Pig Iron (2)....	25.50	17.75	25.50
Copper (3)......	0.14	0.12⅝	0.14
Petroleum (4)...	3.50	3.00	3.00
Coal (5)........	5.75	1.75	5.75
Cotton (6)......	0.22⅞	0.17	0.21⅛
Wheat (7).......	1.46	1.09⅜	1.09⅜
Corn (8)........	0.78¾	0.47	0.62½
Hogs (9)........	0.10⅝	0.08	0.09⅞
Steers (10).....	0.09½	0.08½	0.09¼
Coffee (11).....	0.11⅛	0.09⅛	0.09⅞
Rubber (12).....	0.20½	0.14¼	0.14¼
Wool (13).......	0.57	0.45	0.55
Tobacco (14)....	0.20	0.20	0.20
Sugar (15)......	0.05⅜	0.03½	0.05⅜
Sugar (16)......	0.07	0.04¼	0.07
Paper (17)......	0.03¾	0.03½	0.03¾

* August 9.

(1) Open Hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Pennsylvania, $ per barrel; (5) Pool No. 11, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 Red, Chicago, $ per bushel; (8) No. 3 Yellow, Chicago, $ per bushel; (9) Sight, Chicago, $ per bushel; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium Burleigh, Kentucky, — per lb.; (15) Raw Cubas 96° Full Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.

THE TREND

STEEL—Pig iron prices rising as banking of furnaces causes scarcity. Output and new buying of steel further retarded as full supplies decline. Settlement of coal strike likely to bring increased business later on.

METALS — Statistical position of red metal growing steadily stronger. Firmness of prices in face of current light buying indicates higher prices in near future.

OIL—Industry unsettled by price cuts occasioned by over-production and continued accumulation of large stocks. Immediate outlook uncertain.

COTTON—Crop condition slightly improved but critical period not yet passed. Surplus being rapidly depleted and demand for this season's crop will be heavy. Strong position likely to be maintained.

SHIPPING — Ocean freight rates for movement of September grain fall below last year's level as competition for Eastbound cargoes is increased by tonnage bringing coal from Britain.

RUBBER—Price tendency easy at lower levels. Demand generally quiet and outlook unpromising.

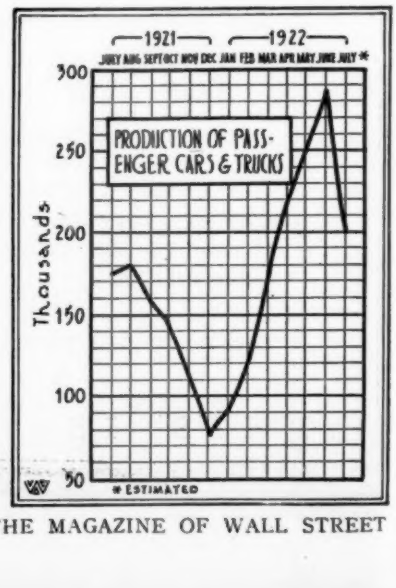
SUMMARY—The business situation is characterized by irregularities due to strike conditions. Resumption of the forward movement awaits settlement of present difficulties. Reduced purchasing power attendant upon voluntary unemployment is being felt in many places and some industries, notably steel, are suffering from enforced contraction of output. Price cuts in the oil, tire and automobile industries are cross-currents in the broad upward movement of commodity prices.

MOTORS

Seasonal Decline Affects Sales

With the beginning of the period of seasonal decline in the automobile industry sales have begun to show some recession

(*Continued on page 642*)



The Makers of U. S. Royal Cords *Beg to State —*

NOT quite seven years ago the U. S. Royal Cord Tire was announced to the public.

People who saw it remarked on the beauty of the tread design, which is protected by U. S. Letters Patent.

The same design that since then has proved itself the most scientific tread pattern ever put on a pneumatic tire.

To identify this superlative tire under all conditions — whether running or stationary — Royal Cord makers adopted as a trade mark a circumferential *white stripe* placed on each sidewall.

Today, Royal Cord beauty and identity is so known and distinguished that even a newsboy can spot one whisking around the corner.

And car-owners everywhere look upon a Royal Cord as the measure of *all* automobile tire values.

* * *

According to some tire dealers and manufacturers the public has been having one of its "price spells" and demands cheap tires.

This is contrary to the facts.

Otherwise Royal Cords wouldn't keep gaining and gaining and gaining in sales to *quality people.*

And — you wouldn't see Royal Cords on so many cars of every make in the country.

Nor — if Americans were on record for cheaply made and cheaply priced tires—would they award the leadership of the tire business to the Royal Cord Tire.

Current prices on United States Passenger Car Tires and Tubes are not subject to Federal Excise Tax, the tax having been included.

United States Tires are Good Tires

U. S. Royal Cord Tires

United States Rubber Company

Fifty-three Factories | *The Oldest and Largest Rubber Organization in the World* | *Two hundred and thirty-five Branches*

Intimate Talks With Readers

The Price of Success in Speculation—Are You Carrying Too Many Stocks?

A Position in the Market

The Saturday Evening Post has been running a series of articles in the form of fiction stories about Wall Street. These stories relate the experiences of a professional operator; and we have a shrewd idea that these experiences are closer to truth than fiction. They deserve a reading and close study not only from the would-be trader, but also by the investor who wishes to get a better idea of "what it is all about." If a study of these stories will lead to no other result, the assurance is given here that some extremely valuable lessons will be learned. The truth is driven home, in fiction form:

That Wall Street is not "an unbeatable game."

That ninety-nine per cent beat themselves, and blame Wall Street for their ignorance, obstinacy, carelessness, or sheer laziness.

That success is premised upon a study of technical conditions with a broad understanding of fundamentals.

That success is sure in the long run in the sense that profits must exceed losses if investment and speculation is conducted along business lines.

That if ten broad rules can be laid down, it is necessary to know ten rules—and not merely a "smattering" of eight of them.

If investing and speculating is the most difficult vocation in the world it is likewise the most profitable. Therefore, it is worth while.

A most important phase of interest to the investor, who holds mainly for income but with an eye to profit—and an opportunity of selling out at the apex of any upward cycle—is the incident describing that dyed-in-the-wool old-timer who tells the young and ignorant young man who has given the old-timer a "tip" that he will not sell out his line despite large profits because "If I take my profits I would lose my position you see!"

The big operator, and the substantial semi-investor seeks to take on a line of one stock or ten stocks at a certain figure (or average figure), and then hold for the longer swing and the fuller bucket. Jumping in and out the wriggles, twists and turns, incidental to a big upswing, and towards the aforesaid apex might result in some profits but would never result in substantial money nor even "a killing." A big profit means 30, 50, to 100 points or more but such profits can never be secured unless "the position is held."

Let us take Canadian Pacific for example. We will assume the investor took a hand when it got below 115 to 108 last year, and *accumulated* 500 shares at an *average* price of 115. The stock was at 101 last year, so we are not assuming too much; in fact giving ourselves the worst of it. What could Larry Livingstone, the sophisticated hero of our story, have done? He had about 100 chances to take profits; and each chance would have "cost him his position." Each chance might have been his last to buy Canadian Pacific at an average price even of 115. It was 145 recently and about 140 now.

These very articles ("Intimate Talks") spoke of the situation in Canadian Pacific at 115-108—consult your file of a year ago. How many people who acted on this advice have "lost their position" on Canadian Pacific—in other words—have taken their temporary profits; waited for a reaction; didn't think the reaction had gone far enough; didn't get their stock at their figure; didn't—a hundred other things; didn't get Canadian Pacific; and haven't got it now with a possible profit of from 35-20 points and an income of 8.7% on all stock purchased at 115; with possibilities that are beyond the bounds of guessword if one has "lost his position."

The author of the *Post* fiction story touches on one of the most vital topics in the entire realm of speculation and investment when he uses the old-timer to tell the young fellow—who typifies the ignorant trader—that the axiom "a profit is a profit" is a pernicious doctrine, and not productive of safety or fortune.

Another thing: the hero of our story was in the habit of holding his stocks through reactions that were certain to come, and the size of which he could not gauge; although up against the temptation of selling out temporarily (losing his position) and hoping to buy back lower. It is difficult to give advice to hold through a big reaction that will surely come; ninety per cent cannot take it; the minority (ten per cent) wins. The minority pays the price of success.

A Quick Way to Check Safety

We had occasion to examine a big account, the owner of which was investing and speculating but wasn't quite sure of his ground. We took an inventory of stocks "long" whether bought outright, on margin, or otherwise. Bonds were figured as 10 shares per $1,000 bond, and low-priced stocks as the equivalent of 1,000 being equal to 200 shares of average-priced stocks. We figured a total of 2,000 shares carried, and the investment was $40,000.

Without going into other mistakes, such as a good deal of "averaging" down in losing issues, averaging at figures too close to original or later purchases, and disproportionate quantities — the account was severely criticized.

In reality this account was margined to the extent of 20 points on the average; which is less perhaps than any professional trader would allow himself. There was no reserve of say $10,000 to $20,000 in ready cash behind it. A 5-point break would call for a $10,000 reserve or margin to cover the loss of capital. A 10-point break would require a further investment of $20,000 to place the account out of danger—*and even then it would only be a margin account.*

The owner saw the light. He realized that it would require anywhere from $60,000 to $100,000 to support a 2,000-share line (30 to 50 points) with safety. He realized that a cash or "other resources" reserve of 33% was necessary; he sold out about 1,000 shares—thus reducing his line down to "the sleeping point."

How many shares are you long of?

"Former Price" Level Delusive

The Stutz corner echo in the bankruptcy courts to the auction block teaches a couple of valuable lessons. Few men can hope to "sting" Wall Street—which latter by the way is equally you and me as well as the alleged higher-ups—and come back on mere daring or the spectacular. The necessity for immense credit, and the machinery for handling credit (the banks and trust companies) function under Government supervision, if Wall Street is under no such limit.

A bank can make loans; large ones; sometimes unjust ones it is true. But—sooner or later their semi-public foundation exerts an influence and the creditor has to adjust himself whether or not the bank directors wish to carry it further or not. Banks have stockholders, and their public trustee is the Banking Commission and their Examiners; and the joyous debtor must be pulled up with a jolt if he has exceeded the bounds of good business.

Stutz stock which sold between $500 to above $700 after the corner is spasmodically quoted out on the cold "Curb" between 15 and 20; and at that low figure its market is artificial because a block of say 10,000 shares could not be sold without "support" at practically any price. The facts so far known show conclusively that no real stock was ever distributed, and any values whatever—even before the corner—were merely price tags on the scant quantity held probably in odd lots by a relatively few people.

New York Stock Exchange

	Pre-War Period 1909-13		War Period 1914-18		Post-War Period 1919-21		1922		Last Sale	Div'd $ per
RAILS:	High	Low	High	Low	High	Low	High	Low	Aug. 10	Share
Atchison	125⅛	90¼	111¼	75	104	76	102⅞	91¼	101⅞	6
Do. Pfd	106⅛	96	102⅛	75	89	72	93½	85	93½	5
Atlantic Coast Line	148½	102½	126	79⅞	107	77	115	88	113⅞	7
Baltimore & Ohio	122¼	90⅝	96	88¼	55¼	27⅝	58¼	33½	57⅞	..
Do. Pfd	96	77⅛	80	48¼	59½	38½	64	52½	63	4
Canadian Pacific	283	165	220⅛	126	170⅞	101	145	119⅛	141⅞	10
Chesapeake & Ohio	92	51⅛	71	35⅝	70⅛	46	77	54	76⅞	4
Chicago Great Western	36⅞	1⅜	17½	6	14½	6¼	10½	5⅛	8⅝	..
Do. Pfd	64⅛	28	47½	17½	38⅛	14	24½	14½	21⅞	..
C. M. & St. Paul	165⅛	96¾	107⅛	35	52¾	17¼	32⅞	16½	31¾	..
Do. Pfd	181	130½	143	62½	76	29½	49⅝	29	48¾	..
Chicago & Northwestern	198½	123	136⅞	85	105	60	87¼	59	87	5
Chicago, R. I. & Pacific	..	..	45¾	16	41	22⅝	48¼	30¾	45	..
Do. 7% Pfd	..	..	94¾	44	89¼	64	98½	83¼	96⅛	7
Do. 6% Pfd	..	..	80	35¾	77	54	85	70½	84⅜	6
Cleveland C. C. & St. L.	92¼	34⅞	62⅝	21	61	31⅜	76½	54	‡76⅛	2
Delaware & Hudson	200	147½	159½	87	116	83¼	127	106¾	125¾	9
Delaware, Lack. & W	340	192½	242	160	260½	93	133	110½	133	6
Erie	61¼	33½	59½	18¾	21⅜	9½	18¾	7	17⅞	..
Do. 1st Pfd	49¾	26¼	54¾	15⅛	33	15	27¾	11⅛	26¾	..
Do. 2nd Pfd	39⅛	19½	45⅝	13⅛	23¾	10	20¼	7⅛	19	..
Great Northern Pfd	157⅞	115½	134¾	79¼	100⅝	60	90½	70¼	89¾	7
Illinois Central	162⅛	102¾	115	85⅛	104	80⅞	110	97½	108	7
Kansas City Southern	50¼	21⅜	35⅛	13½	28⅞	13	30⅛	22	26	..
Do. Pfd	75½	56	65½	40	57	40	59½	52¾	‡57½	4
Lehigh Valley	121¼	62½	87⅛	50⅛	60⅛	39⅛	67⅛	56⅝	65⅞	3½
Louisville & Nashville	170	121	141⅞	108	122¾	94	136½	108	134	7
Minn. & St. Louis	*65	*12	36	6⅞	24½	5⅛	14½	5	11⅛	..
Mo., Kansas & Texas	51⅛	17½	24	8⅛	16⅛	¼	14	⅛	12	..
Do. Pfd	78⅛	46	60	6½	25⅛	2	14¼	1½	‡10	..
Mo. Pacific	*77½	*21½	38½	19⅞	38⅞	11½	25¼	16	22⅝	..
Do. Pfd	..	..	64⅛	37½	58¾	33⅛	59¾	43½	56¾	..
N. Y. Central	147⅛	90⅛	114¼	62½	84¼	64⅛	98¾	72¾	97⅝	5
N. Y., Chicago & St. Louis	109¾	90	90¾	55	65	23¾	82	51⅝	81	5
N. Y., N. H. & Hartford	174⅛	65⅛	89	21½	40⅞	12	35¼	12⅛	31⅝	..
N. Y., Ont. & W	55⅛	25⅛	35	17	27⅛	16	30½	19¾	26¼	2
Norfolk & Western	119⅛	84¼	147⅛	92⅝	112½	84¼	118½	96¼	116¼	7
Northern Pacific	159½	101¾	118⅞	75	99⅞	61¼	83⅛	73½	82⅝	5
Pennsylvania	75⅛	53	61½	40¼	48½	32¼	47⅞	33¼	46¾	2
Pere Marquette	*36½	*15	38⅛	9½	33½	12⅛	38⅞	19	39¼	..
Pitts. & W. Va.	..	..	40⅛	17¾	44¾	21⅛	41⅛	23	40⅛	..
Reading	89⅛	59	115½	60⅛	108	60¾	82⅞	71⅛	76¾	4
Do. 1st Pfd	46¾	41¼	46	34	61	32⅞	57¼	43	‡51½	2
Do. 2nd Pfd	58¾	42	52	33¾	65½	33¼	59½	45⅞	‡51½	2
St. Louis-San Francisco	*74	*13	50½	21	38⅞	10¾	31½	20⅝	31	..
St. Louis Southwestern	40⅛	18½	32⅛	11	40	10⅞	34	20½	33⅞	..
Do. Pfd	82⅛	47½	65⅛	28	49¾	20⅛	51¾	32⅛	50½	..
Southern Pacific	139⅛	83	110	75¼	118⅛	67½	93⅛	78⅛	92¼	6
Southern Ry	34	18	36¼	12½	33⅛	17⅛	27¼	17⅛	26¾	..
Do. Pfd	86⅞	43	85¼	42	72½	42	61½	45¼	61	..
Texas Pacific	40½	10¼	29½	6½	70½	14	36	24	32⅛	..
Union Pacific	219	137¾	164⅛	101¼	138½	110	145⅛	125	144¾	10
Do. Pfd	118½	79¾	86	69	74¾	61¼	78⅛	71¼	78⅛	4
Wabash	*27⅞	*2	17½	7	13⅛	6⅛	14⅛	6	12¾	..
Do. Pfd. A	*61¼	*6⅛	60½	30⅞	38	17	34⅛	19⅛	33½	..
Do. Pfd. B	..	..	32⅞	18	25½	12½	24	12¼	‡22	..
Western Maryland	*56	*40	23	9¼	15⅝	8⅛	13½	8¼	11¾	..
Western Pacific	..	..	25½	11	40	15	24⅞	13¾	19	..
Do. Pfd	..	..	64	35	78	51½	64½	51⅝	‡60½	6
Wheeling & Lake Erie	*12⅞	*2⅛	27¾	8	18¼	6¼	16½	6	14	..
INDUSTRIALS:										
Allied Chem	..	..	..	..	62⅛	34	74⅞	55⅛	72⅝	4
Do. Pfd	..	..	..	..	103¼	83	110	101	108	7
Allis Chalmers	10	7⅛	49⅛	6	53⅞	26½	56	37¾	53	4
Do. Pfd	43	40	92	32½	97	67¼	100	86½	‡98½	7
Am. Agr. Chem	63⅛	33½	106	47¾	113¾	36½	42⅞	29¾	37	..
Do. Pfd	103	90	103½	89⅛	103	51	70⅛	55¾	‡62⅝	..
Am. Beet Sugar	77	19¾	108½	19	103¾	24½	49	31¾	47⅞	..
Am. Bosch Mag	..	..	..	..	143⅞	29⅝	49	31¼	38⅝	..
Am. Can	47⅛	6⅞	68⅛	19¼	68⅝	21¼	61⅛	32⅛	59	..
Do. Pfd	129¾	96	114½	80	107⅝	72	100½	63¼	‡109	7
Am. Car & Fdy	76½	36½	98	40	151¼	84⅛	173	141	173	12
Do. Pfd	124¾	107½	119⅛	100	119	105¾	124	115½	‡121	7
Am. Cotton Oil	79¼	33½	64	21	67½	15⅛	30½	19⅛	26⅝	..
Do. Pfd	107½	91	102¾	78	93	35½	61	41	‡51	..
Am. Drug Synd	..	..	..	..	15⅛	4	6½	4½	5⅜	..
Am. Hide & L.	10	3	22⅛	2½	43⅛	5	17⅛	12	14	..
Do. Pfd	51⅞	15⅛	94⅞	10	142⅛	35	73	58	70	..
Am. Ice	..	..	49	8⅞	83½	37	114½	78	111¼	7
Am. International	..	..	62¼	12	132¼	21¼	50⅝	34⅛	36⅛	..
Am Linseed	20	6⅞	47¼	20	95	17¼	40¾	29⅛	33¾	..
Am. Loco.	74¾	19	98¼	46⅝	117½	58	121½	102	118¾	6
Do. Pfd	122	75	109	93	115	96½	118	112	118	7
Am. Safety Razor	..	..	..	..	22	3½	8⅝	3⅝	7¼	..
Am. Ship & Com	..	..	..	..	47½	4¾	25⅛	5½	17	..
Am. Smelt. & Ref	105⅛	56⅛	123¼	50¼	89¾	29¼	67½	43⅝	60⅛	..
Do. Pfd	116¼	98¼	118⅛	97	100⅝	63¼	99⅛	86⅛	98½	7
Am. Steel Fdys	74½	24⅛	85	44	50	18	41⅛	30¾	40½	3
Do. Pfd	..	..	..	..	96½	78	100	91	‡99½	7
Am. Sugar	136⅛	99⅞	126⅛	89⅛	148⅛	47⅝	82⅛	54⅛	80⅞	..
Do. Pfd	133⅛	110	123½	106	119	67½	108⅛	84	108⅛	7
Am. Sumatra Tob	..	..	145¾	15	120½	28½	47	23¼	39	..
Do. Pfd	..	..	103	75	105	64¾	71	52¼	‡63	..
Am. Tel. & Tel	153⅛	101	134½	90⅝	119½	92⅛	124½	114½	123½	9
Am. Tobacco	*530	200	256	123	314½	104⅛	152⅛	129 ⅛	148	12
Do. B	..	..	..	..	210	100⅛	148½	126	145½	12
Am. Woolen	40⅛	15	60⅞	12	169½	55½	95⅛	78¼	90⅝	7
Do. Pfd	107¾	74	102	72½	110¾	88½	109	102½	‡108	7
Anaconda	54⅛	27½	105⅛	24¼	77⅞	30	57	47	53⅛	..
At. Gulf & W. I	13	5	147¾	4½	192⅝	18	43¼	23½	30⅛	..
Do. Pfd	32	10	74⅛	9⅞	76½	15¾	31¼	16½	‡21	..
Baldwin Loco	60¾	36½	154½	26⅝	156¼	62¼	125½	92¾	123¼	7
Do. Pfd	107½	100⅛	114	90	111⅞	92	64	52½	‡112½	7
Bethle. Steel B	*51⅛	*18¾	155½	59¾	112	41½	82¼	55½	77¾	5
Do. 7% Pfd	80	47	136	68	108	87	101	90⅞	97¼	7
Do. 8% Pfd	..	..	110⅛	92½	116	90	116⅛	104	‡113	8
Calif. Packing	..	..	50	30	87½	48⅛	89½	68	82⅛	6
Calif. Petro.	73⅛	16	42⅛	8	56⅛	15⅛	71⅛	43⅛	56⅛	..

Price Range of Active Stocks

	Pre-War Period 1909-13 High	Pre-War Period 1909-13 Low	War Period 1914-18 High	War Period 1914-18 Low	Post-War Period 1919-21 High	Post-War Period 1919-21 Low	1922 High	1922 Low	Last Sale Aug. 10	Div'd $ per Share
INDUSTRIALS—Continued:										
Calif. Petro. Pfd	95½	45	81	29½	88	63	98½	83	56⅛	7
Central Leather	51¾	16½	123	25⅞	116½	22¼	42	29⅜	38⅛	..
Do. Pfd.	111	80	117½	94⅞	114	57⅛	74⅜	63⅛	71¼	..
Cerro de Pasco	..	..	55	25	67½	23	40⅞	32¾	38⅜	..
Chandler Mot.	..	..	109⅞	56	141¼	38¼	79¼	47¾	58	6
Chile Copper	..	..	39¾	11⅛	29¼	7¼	23⅜	15⅛	21⅛	..
Chino Copper	50⅜	6	74	31⅜	50⅞	16⅜	32⅜	25⅜	29½	..
Coca Cola	..	..	..	..	48⅜	18	74½	41	70	4
Colum. Gas & E.	..	..	54⅛	14¼	69	39¼	94½	64⅜	94	6
Columbia Graph.	..	..	*166	*97	75⅛	2⅜	5¾	1⅛	4	..
Consol. Cigar	..	..	..	..	80	13½	38½	18⅜	36	..
Consol. Gas	165⅛	114½	150½	112½	106⅜	71⅜	125⅞	85	121⅞	8
Corn Prod	26½	7⅜	50½	7	105¼	46	116⅞	91¼	114¼	6
Do. Pfd.	98½	61	113½	58⅛	112	96	111	119	‡118	7
Crucible Steel	19⅝	6½	109⅞	12¼	278½	49	94½	52¾	90⅝	..
Cuba Cane Sugar	..	..	76⅜	24⅞	59⅜	5¾	19⅜	8⅛	14⅞	..
Cuban Amer. Sugar	*58	*83	*273	*38	*605	10⅞	28	14½	25½	..
Fisk Rubber	..	..	..	..	55	8⅜	19½	11¼	12⅞	..
Freeport Tex	..	..	70½	25⅛	64⅜	9½	26⅞	12¼	20	..
Gen'l Asphalt	42⅞	15½	39⅜	14⅛	160	32½	73¾	55⅛	69⅞	..
Gen'l Electric	188½	129¾	187¼	118	176	109½	182	136	178	8
Gen'l Motors	*51¾	*25	*850	*74½	42	9⅜	15¼	8⅛	13	..
Do. 6% Pfd	..	..	99½	72¾	95	63	83	69	80⅞	6
Do. 6% Deb	..	..	..	..	94⅜	60	84	67¾	81½	6
Do. 7% Deb	..	..	..	..	94	69	97	79½	‡94¾	7
Goodrich	80½	15½	80¼	19⅜	93⅜	26⅛	44⅞	32⅛	34½	..
Do. Pfd.	109¾	73⅜	116⅜	79⅞	109½	62½	91	80½	85⅛	7
Gt. Nor. Ore	58½	25½	50⅜	22½	52⅜	24⅞	45⅝	31⅜	40	4
Houston Oil	25½	8¼	86	10	116½	40½	85	70	‡75	..
Hudson Motors	..	..	..	..	..	..	24	19½	20⅛	2
Hupp Motors	..	..	11¼	2⅛	23¼	4⅜	21¼	10⅞	16½	1
Inspiration	21⅛	13⅞	74¼	14¼	66⅞	28	45	37½	40½	..
Inter. Mer. Marine	9	2⅛	50⅞	⅜	67⅜	7⅛	27½	13⅛	13½	..
Do. Pfd.	27⅜	12½	125⅝	8	128½	36	87⅜	62¼	64	6
Inter. Nickel	*227¼	*135	57½	24½	33⅞	11⅛	19¾	11⅛	18	..
Inter. Paper	19⅜	6½	75½	9½	91⅜	30¼	56⅛	43½	55⅜	..
Invincible Oil	..	..	..	..	47⅛	5½	20¼	12⅛	18	..
Island Oil	..	..	..	..	7⅛	2	3	⅝	⅞	..
Kelly Springfield	..	..	85¼	36⅜	164	25½	53⅜	34⅛	43⅛	..
Do. 8% Pfd	..	..	101	72	110¼	70¼	107¾	90½	‡98½	8
Kennecott	..	..	64¼	25	43	14⅜	39⅝	25½	36⅛	..
Keystone Tire	..	..	46½	11	126⅜	8¼	24⅜	8½	8½	..
Lackawanna Steel	55⅛	28	107	26½	107⅜	32	81⅝	44	76	..
Loews, Inc	..	..	..	..	38⅜	10	18⅜	11	16¼	..
Loft, Inc	..	..	..	..	28	7¼	14	9	12	1
Mexican Pet.	90½	41¼	129⅜	46½	264	84½	204½	106¾	171¼	12
Miami Copper	30¼	12¾	49⅜	16½	32¾	14⅛	31⅜	25¼	29¼	2
Middle States Oil	..	..	..	..	71¼	10	16	11⅝	12¾	1.20
Midvale Steel	..	..	98½	59½	62⅛	22	45½	27⅛	34	..
Nat'l Lead	91	42½	74⅜	44	94½	63½	103½	85	99⅛	5
N. Y. Air Brake	98	45	186	55⅞	145¼	47½	80	57	‡78	..
N. Y. Dock	40¼	8	27	9¼	70⅜	16⅛	46	28	‡34	2½
North American	*87⅞	*60	*81	*38⅞	46	32¼	75¼	44⅛	74¾	5
Do. Pfd.	..	..	..	..	41½	31⅞	45	38	44⅞	3
Pacific Oil	..	..	..	..	50⅜	27½	69⅜	44⅜	52¾	3
Pan. Amer. Pet	..	..	70¼	35	140¼	38⅛	86½	48⅞	74	6
Do. B	..	..	..	..	111¼	84⅛	82½	44	68⅞	6
Philadelphia Co	59¼	37	48⅞	21½	48	26½	40¼	31½	40⅝	3
Phillips Pet	..	..	..	..	44½	16	59¼	28¼	43½	2
Pierce Arrow	..	..	65	35	99	9¼	24⅞	8	10	..
Do. Pfd.	..	..	109	88	111	21	49	18⅞	24	..
Pittsburgh Coal	*29⅜	*10	58¼	37½	74⅜	45	68	58⅞	65	5
Pressed Steel Car	56	18½	83¾	17¾	113¾	48	83¾	63	81	..
Do. Pfd.	115	88½	109⅛	69	106	88	100⅞	91	‡99	7
Punta Aleg. Sug	..	..	81	29	120	24⅜	53¼	30¾	50	..
Pure Oil	..	..	148⅞	31⅞	61⅞	21½	38⅝	26¾	29¼	2
Ry. Steel Spg	54½	22¼	78½	19	107½	67	110	94	109	8
Do. Pfd.	113⅜	90¼	105½	75	112	92½	115¼	108¼	‡1'1	7
Ray Cons. Cop	27½	7½	37	15	27½	10	19	13½	10⅛	..
Replogle Steel	..	..	..	..	98½	18	41	25½	31¾	..
Republic I. & S.	49½	15⅜	96	18	145	41⅛	73⅝	46¼	71	..
Do. Pfd.	111¼	64½	112⅜	72	106¾	75¾	95¾	74	91⅝	..
Republic Motors	..	..	77	31	74½	5	14½	2½	3⅜	..
Royal Dutch N. Y	..	..	86	56	123⅜	40½	67	47¼	52¼	3.68
Shell T. & T.	..	..	..	..	90¼	30⅞	48½	35⅝	‡36¾	.63½
Sinclair Con. Oil	..	..	67⅛	25⅛	64¼	16½	38⅜	18¾	30½	2
Sloss Shef. Steel	94⅝	23	93¼	19½	89	32½	54½	34½	‡44	..
Stand. Oil N. J.	*448	*322	*800	*355	212	124½	198¾	169	180	5
Do. Pfd.	..	..	..	..	114½	100⅛	117¾	113⅜	117	7
Stromberg Carb.	..	..	45¾	21	118¾	22⅛	59⅝	35¼	‡45½	..
Studebaker	49½	15⅜	195	20	151	37¾	139½	79⅛	124⅜	10
Do. Pfd.	98⅛	64½	119½	70	104½	76	118	100	‡114¼	7
Superior Steel	..	..	96	30¼	60	26	39½	26	‡30½	..
Tenn. Cop. & Chem.	..	..	21	11	17¼	6¼	12¾	9¾	‡9⅞	..
Texas Co.	144	74½	243	112	57⅜	29	50½	42	46¼	3
Tex. Pac. C. & O.	..	..	..	..	195	15¾	32¾	23	24¾	1
Tobacco Prod.	145	100	82⅜	25	115	45	57½	52¾	53¾	6
Transcontl. Oil	..	..	..	..	62⅜	5⅜	20⅛	7½	13	..
United Fruit	208½	126½	173	105	224⅞	95¾	149⅜	119¾	148	8
Un. Retail Stores	..	..	..	..	119¼	45⅛	71¼	43⅛	64	..
U. S. Food Prod.	41⅜	9¾	64⅜	5½	91⅜	8½	10⅛	2¾	7½	..
U. S. Ind. Alco	57¼	24	171½	15	167	35⅛	65¼	37	62⅝	..
U. S. Rubber	59½	27	80½	44	143¾	40½	67½	51⅝	57	..
Do. Pfd.	123½	98	115¼	91	119½	74	107	99	104	8
U. S. Smelt. & R.	59	30⅜	81½	20	78¼	26	45¾	32¾	‡40	..
U. S. Steel	94⅞	41¼	136⅜	38	115½	70¼	103¼	82	100¼	5
Do. Pfd.	131	102½	123	102	117½	104⅛	122	114¼	119½	7
Utah Copper	67½	38	130	48½	97½	41⅛	69¼	60⅝	65⅛	2
Vanadium	..	..	..	..	97	25⅛	53	30¼	49¼	..
Va.-Caro. Ch.	70⅜	22	60¼	15	92½	20¾	36⅞	25⅛	27⅛	..
Do. Pfd.	129½	62	115⅜	80	115⅞	57¾	82	61½	62⅛	..
Western Union	86¼	56	105½	53⅜	94	76	111½	89	110¼	7
Westinghouse Mfg	45	24⅜	74⅞	32	50⅞	38⅞	64	49⅛	‡61¼	4
White Motors	..	..	60	30	85	29¼	51¾	35⅛	47	4
Willys Overland	*75	*50	*325	15	40¼	4⅜	10	4½	6⅛	..
Wilson Co.	..	..	84¼	42	104⅞	27½	49⅜	27⅛	‡42½	..
Woolworth	177¾	78⅛	151	81⅛	139¾	100	184	137	‡180	8

* Old stock. ‡ Bid price given where no sales made.

INQUIRIES ON INDUSTRIAL SECURITIES

(*Continued from page* 604)

Iron & Steel Co. has also placed it in better position from a manufacturing standpoint. From an intrinsic standpoint, it would seem to us, the stock is selling at a sufficiently high price, but the shares are closely controlled and subject to manipulation, and could very easily have quite an extensive advance. Its market movements at present would lead one to believe that higher prices are likely.

CONSOLIDATED TEXTILE

Operations Increased

Some time ago I bought and paid for 100 shares of Consolidated Textile stock at 13. This stock declined to a low of 9. Will you please advise me if you know anything wrong with the company, and would advise selling at the present price and take a loss. Would you consider it advisable to average with another 100 shares at present price, for which I would be able to pay?—A. J. F., Brooklyn, N. Y.

Consolidated Textile is now operating practically all of its mills, and the textile strike is pretty thoroughly broken up. At present levels, the stock appears to us to have rather attractive speculative possibilities, as from what we can learn, the decline in the last few days has been due to the selling of shares formerly owned by Allan A. Ryan. The recent stock offered to stockholders at $12.50 was underwritten, and this should have brought the company sufficient funds to put it in a fairly comfortable position. Of course, the stock is speculative, but if you can afford to assume a certain amount of risk, we would be inclined to average at present levels.

VIRGINIA-CAROLINA CHEMICAL

Possibilities in Convertible Bonds

Would you advise stockholders to invest in the new 7½% convertible bonds of the Virginia-Carolina Chemical Co.? Why were the bonds issued? I hold some of the preferred stock and rights to subscribe to the bonds but I do not know whether the company has been making very much improvement in its financial position or whether it is likely to do so.—H. F., Media, Pa.

Virginia-Carolina Chemical Company recently issued $22,500,000 1st Mortgage Sinking Fund bonds and $12,500,000 15-year Sinking Fund Convertible 7½% Series A bonds, the latter not having any mortgage protection. These bonds were issued to retire previous funded debt of over $25,000,000 and to furnish additional working capital for the needs of the corporation. The 7½% Convertible Bonds are convertible into the common stock of the company at any time after July 1st, 1924, on basis of $35 per share; in other words, in addition to their income, the holder has an option for a period of thirteen years on the stock at $35 a share.

It is our opinion that the Virginia-Carolina Chemical Company has seen the worst of their troubles and that their operations will now be on the upgrade. This company, as all other fertilizer companies, suffered heavily on account of the rapid deflation especially in prices of farm products. While these convertible bonds are not high grade, they can, in our opinion, be safely placed in the class of a business man's investment. The convertible feature gives them good speculative possibilities as well. Believe it advisable to exercise your rights.

INTERNATIONAL COMBUSTION ENGINEERING

Its Technical Position

In the July 22 issue of your magazine in the article, "Which is the Best $2 Stock?" I note that you do not consider that International Combustion Engineering is in a good technical position. As the price range this year has been small, the high being only 28⅝, it seems to me that this fact together with no great volume of sales would indicate that there had not been important distribution. Hence my deside to know why you do not consider the technical position good.—D. D. W., Washington, D. C.

International Combustion Engineering is a comparatively new stock on the big board and when it was first listed a good deal of publicity was put out about the company as to its large earnings, prospects, etc. This caused considerable public buying and the stock advanced to its high of 28⅝. Around that level, there seemed to be plenty of stock for sale and this indicates to us that at least some of the insiders were willing to sell out and take their profit. After this bulge the stock did practically nothing and gradually drifted down to its present levels. Under these circumstances, we do not believe the techncal position is good for an immediate move but believe the stock to have good value behind it and that ultimately better prices will be seen for it.

MEXICAN SEABOARD

Insiders Believe in Property

It looks to me as though the syndicate which handled the Mexican Seaboard offering put something over on the public. Do you not think the Sinclair people knew that salt water was encroaching and that explains their willingness to sell? If they knew it, why did not the bankers who purchased the stock?—M. C. S., Boston.

We believe you are unacquainted with the fact that the largest interests in Mexican Seaboard were also the largest subscribers to the Sinclair stock which was offered to the public. This seems to be a case where those who knew the most about the property not only added heavily to their original holdings when the syndicate stock was offered, but have bought more since and are still retaining their stock, and seem just as confident of the future of the company as ever. It must be apparent to you that if those in the best position to judge the future suffered a tremendous loss they regard this as a paper loss and not an actual one. They believe that the company will yet extract 15,000,000 barrels of oil from the Toteco pool. This estimate may or may not be borne out by the actual production derived from what remains of that field, but in the opinion of experts who have closely studied the situation there is a very considerable amount of oil left in

this pool, and Mexican Seaboard is in the best position to get the bulk of what remains. The company's future depends not only on this factor, but on its success in developing production through some of its other holdings.

IS A SHIPPING SUBSIDY JUSTIFIABLE?

(*Continued from page* 583)

tests or seeks to explain what is and what is to be by historical retrospect. If such method be sound then our efforts for a Merchant Marine would seem to squint to a dubious outcome or a fore-ordained failure.

A Highly Competitive Industry

No business is more competitive than shipping. A 6% return on the invested capital is a maximum. The outward volume of our trade is three times the inward volume.

The more important consideration, however, is that as necessity has evolved successful seafaring nations it has caused an adjustment of their delicate economic machines so that the profits from their carrying trade have become the vitally important "invisible exports" so frequently mentioned by economists in these latter days. "Invisible exports" signify credits for or payments to a given country by other nationals which operate as offsets to outgoes or obligations to foreigners in the main for foods or materials and herein lies an almost life and death item for seafaring nations of which England is the best example although we must not lose sight in this connection of the importance of sea tonnage for Japan, Scandinavia, Greece and Spain.

England has depended to a very large extent upon her exports of coal, her single important raw material, but her greatest mainstay to balance the enormous sums paid to foreigners has been (as indicated above) for many years the profits from her shipping. Deprived of this "invisible export" no man may dare predict what may be the dire results. What this "invisible export" or balancing factor of her economy is may be indicated briefly by the statement that England imports at least 75% of what she eats and approximately an equivalent percentage of raw materials.

Under these conditions the advocates of a Merchant Marine for this country propose to appropriate the major portion of these sea-faring profits of the other nations and the ratio of our success will be measured by the diminution of our overseas markets for our surplus products. Foreigners may pertinently declare that "If you take away the prop that doth sustain our house how do you expect we can pay the ten billion allied loan or import to any normal degree from your United States?"

The laws of the Medes and the Persians may have been hard and fast but not more iron-clad or insurmountable than the laws of economics in the sense that the mills of the Gods grind slowly but they grind exceeding sure.

Current Bond Offerings

DURING the fortnight just closed, new bond financing was at an unusually low ebb. Factors in the reduced activity in this field were the slight stiffening in money rates, reflecting a comparatively less easy supply; and also the seasonal decline in general interest.

One authority shows the comparative amounts of new financing distributed as follows for the fortnight (figures are in thousands of dollars):

Class	Amount
State and Municipal	$13,200
Public Utility	15,177
Industrial	14,000
Railroad	2,277
Farm Loan	4,100
Total	$51,456

How much lower these amounts are than those prevailing in previous weeks since the beginning of the year is brought out from the knowledge that, whereas the average weekly offerings of new bonds up to the first week in August exceeded $50,000,000 the average weekly offerings since August 1 have approximated only about $26,000,000—or little over half as much.

Features of the current offerings are shown in the accompanying table. It is noted that only a comparatively few municipal offerings were made of any size, which would be an encouraging sign to industrial and railroad executives if it could be taken as presaging a permanent contraction in this financing field. However, the comparatively low municipal financing is held, actually, to represent cleaning up dealers' shelves, preparatory to a new influx of offering when conditions are right.

Public utility offerings were featured by two fairly large equipment trust issues by the Cincinnati Traction Co. and the Philadelphia Rapid Transit Co. This form of financing, long popular among railroad corporations, is something of an innovation for the public utility, and much interest has been displayed in the two issues referred to for this reason.

NEW BOND OFFERINGS

	Amount	Yield Off'd (%)
STATE AND MUNICIPAL		
St. Petersburg, Fla.	$200,000	5.00
Montclair, N. J.	379,000	4.00-4.20
Richmond, Va.	500,000	4.35
Tampa, Fla.	600,000	4.50-4.80
Butler Cy., Pa.	650,000	4.12-4.50
Hoboken, N. J.	1,170,000	4.40-4.35
St. Louis Cy.	2,000,000	4.50
Toledo, O.	500,000	4.40-4.30
Dayton, O.	900,000	4.25-4.40
Guilford Cy., N. C.	1,000,000	4.85-4.70
Armstrong Cy., Pa.	800,000	4.15-4.50
RAILROAD		
Seaboard Air Line	$952,000	5.00-5.70
Boston & Maine	3,926,000	4.75-5.75
PUBLIC UTILITY		
Toledo Tr. Lt. & P.	$6,500,000	6.75
Cen. Indiana Pr. Co.	2,000,000	7.39
Indiana General Service Co.	3,322,000	5.75
Cincinnati Traction.	725,000	5½-6½
Phila., R. T.	2,150,000	5.00-6.00
East St. Louis & Interurban Water.	450,000	6.45
INDUSTRIAL		
Long-Bell Lumber	$9,000,000	6.35
Gen'l Refractories	4,000,000	6.30
Gray & Davis, Inc.	1,000,000	7.00
FARM LOAN		
Kansas City Jt. Stock Land Bank	$2,100,000	4.58-5.00
First Carolinas Joint Stock Land Bank.	2,000,000	4.66-5.00

Railroad financing, as the table shows, was limited to two issues of $952,000 and $3,926,000 by the Seaboard Air Line and Boston & Maine, respectively.

Industrial issues, as the above summary shows, forged up into line with other branches, being featured by the nine-million dollar issue of the Long-Bell Lumber Co. This was a first mortgage sinking-fund issue, maturing in 1942. Offered at 96, to yield 6.35%, it presented unusual inducements, and was quickly subscribed.

The outlook is for further dulness, as regards new financing, pending an easier trend in money.

GETTING DOWN TO CASES ON THIS HOME-OWNING PROPOSITION

(*Continued from page* 607)

a month. The return would also figure higher because in the first few years a large part of the capital was money borrowed at five per cent. I purposely eliminated this from the figures as foreign to the subject.

I believe that I could easily sell today for eight thousand. A similar house across the street is for sale at nine. This increase in value may be partly judged from the taxes, which have risen from $49.54 the first year to $108.13 the last. This rise in the value of the property is equivalent to a further yearly return of about six per cent, but I believe we should leave this out of the present discussion as extraordinary and not likely to happen in the average case. The chance which a person has of such a gain may be balanced by the chance of depreciation due to unforseen causes, such as a public nuisance erected in the neighborhood.

A Good Example

The preceding example is a good one of a person paying more rent to himself than he would have paid to another landlord. At the time I purchased my home I was living in a very comfortable new seven-room house for which I paid twenty-five dollars a month rent. I could have bought it for $3,200.00, but paid $1,000 more for a slightly larger and better built place in a better neighborhood. I am not questioning the policy of any one buying a better home than they would rent, but wish to emphasize the point that they should take this into consideration when figuring the return on the investment.

In conclusion, I wish to state that while I am a firm believer in the ordinary mortal owning his own home I would not recommend it under present conditions. In other words I believe that real estate is a good short sale right now. If I could be sure of finding a satisfactory place for my family I would try to sell

at once. I would buy or build again, however, when I thought conditions were right. In real estate as in other investments we should endeavor to buy near the bottom and sell near the top.

TROUBLE IN THE OIL INDUSTRY

(*Continued from page* 612)

at 125,589,000 at the beginning of the year mounted steadily throughout that year to 185,623,000 at the close, and by May 1922 they had reached the enormous total of 245,030,000 barrels.

Gasoline Consumption Breaks Records

Consumption of gasoline during the current year broke all previous records, which is not surprising in view of the great increase in registration of motor vehicles over other years. Comparison of the first five months of this year with like periods of the past shows that where some 1,087 millions of gallons of gasoline were consumed in 1918 more than 1,553 millions were used in 1921 and 1,810 in 1922, exclusive of exports. Here also, however, production has outstripped demand and stocks of gasoline climbed to new heights in April. There was some recession in May, when consumption came within 4 million gallons of the highest August peak, and it is probable that further reductions will be witnessed before the close of the summer season.

In spite of the greatly increased demand for crude oil, consumption of petroleum products, excepting gasoline, has been disappointingly slow in appearing, and where it was hoped earlier in the year that the demand for gasoline would be large enough to carry the industry through the summer without price cuts, this hope has been dashed as the balance of heavy domestic production and imports over consumption has carried stocks above ground to record totals and prices were finally forced to yield to this pressure.

Had it not been for the heavy importation of petroleum from Mexico, there can be little doubt that American producers would have found themselves in a very comfortable position. Giving consideration to the importance of the imported supply, it is apparent that any event which would cause this supply to be seriously impaired would immediately alter the domestic situation, hence the not expected appearance of salt water in the Toteco pool, which was responsible for 17% of the world's marketed production up to July 1, is of great significance from the domestic view-point. This pool has already produced more than 152 million barrels of crude oil and it will very likely continue to give up large quantities for some time to come. There is no question, however, as to the effect that has been produced since the salt water was first reported on July 2. Output from the pool on August 1 was only 105,000 barrels daily, compared with 350,000 barrels when the supply began to fail. Imports from Mexico, which were 18,598,000 barrels in May, had dropped to 16,976,000 barrels in June, and it is quite probable that even greater contraction will be shown by the figures for July and August when the full effect of reduced output from Toteco should be felt.

It is not to be inferred that Mexico will cease to be a factor in the oil industry, for there are still immense reserve areas to be drawn upon. Nevertheless, it is entirely reasonable to suppose that restricted importation of Mexican oil may become a more immediate factor in the domestic price situation.

Weekly reports of average daily crude production have so far failed to indicate any diminution in output by domestic producers in spite of recent price cuts. While this lends an unfavorable aspect to the situation, it is probable that heavy flush production in Oklahoma will shortly begin to cease and present low prices for crude are not conducive to continued new drilling.

It is rather too early to determine what effect the various influences enumerated will have on the immediate trend of the industry, but it is entirely probable that the present depression is largely temporary. Prices may show some further unsettlement but it seems unlikely that the unfortunate demoralization of last year will be repeated. Meanwhile, the outlook favors the stronger companies engaged in all the processes of producing, refining and distributing as distinct from companies that are solely producers.

UNLISTED UTILITY BOND INDEX

GAS AND ELECTRIC COMPANIES

	Asked Price	Yield
Bronx Gas & Electric Co. First 5s, 1960 (a)	85 bid	6.00
Buffalo General Electric First 5s, 1939 (c)	100	5.00
Canton Electric Co. First 5s, 1937 (b)	94	5.50
Cleveland Electric Ill. Co. 5s, 1939 (b)	98¾	5.00
Denver Gas & Electric Co. First 5s, 1949 (c)	95	5.35
Duquesne Light Co., Pittsburgh, 7½s, 1936 (b)	107½	6.50
Evansville Gas & Electric Co. First 5s, 1932 (a)	95	5.90
Kansas Elec. Utility First 5s, 1925 (c)	82	10.50
Indianapolis Gas Co. 5s, 1952 (a)	87½	5.90
Los Angeles Gas & Electric Gen. 7s, 1931	105	6.30
Louisville Gas & Elec. Ref. 7s, 1932, 1923 (c)	101⅛	5.22
Nevada-Cal. Electric First 7s, 1946 (c)	100	7.00
Oklahoma Gas & Electric Co. First & Ref. 7½s, 1941 (c)	103½	7.15
Oklahoma Gas & Electric Co. First Mtge. 5s, 1929 (a)	91½ bid	6.50
Peoria Gas Electric 5s, 1923 (a)	99	6.05
Rochester Gas & Electric Corp. Series B 7s, 1946 (b)	107	6.60
San Diego Cons. G. & El. First Mtge. 5s, 1939 (a)	94	5.50
San Diego Cons. G. & El. First Mtge. Ref. 6s, 1939	91½ bid	6.85
Standard Gas & Electric Conv. S. F. 6s, 1926 (b)	95½ bid	7.30
Standard Gas & Electric Secured 7½s, 1941 (c)	102	7.30
Syracuse Gas Co. First 5s, 1946 (a)	94	5.32
Twin-State Gas & Electric Ref. 5s, 1953 (c)	80	6.50

POWER COMPANIES

	Asked Price	Yield
Adirondack P. & Lt. First & Ref. 6s, 1950	99¾	6.15
Adirondack El. Power Co. First 5s, 1962	95½	5.35
Alabama Power Co. First 5s, 1946 (a)	93	5.50
Appalachian Power Co. First 5s, 1941 (a)	89¾	5.80
Calif. Oregon P. Co. First & Ref. 7½s, Series A, 1941 (c)	104	7.10
Cent. Maine P. Co. First & Gen. Mtge. 7s, Series A, 1941	105	6.55
Cent. Maine Power Co. 5s, 1939 (a)	97	5.18
Cent. Georgia Power Co. First 5s, 1938 (c)	88	6.17
Columbus Power Co. (Georgia) First 5s, 1936 (a)	93	5.80
Colorado Power Co. First 5s, 1953 (c)	90	5.70
Consumers Power Co. (Mich.) 5s, 1936 (a)	95¼	5.60
Electric Dev. of Ontario Co. 5s, 1933 (b)	95	5.60
Great Northern Power Co. First 5s, 1935 (a)	89	6.30
Great West. P. Co. First & Ref. 7s, Series B, 1950 (a)	104	6.67
Great West. P. Co. 5s, 1946 (a)	93½	5.50
Hydraulic Power Co. First & Imp. 5s, 1951 (b)	97½	5.20
Idaho Power Co. 5s, 1947 (a)	92½	5.60
Kansas City Power & Lt. 8s, 1940 (c)	105½	7.50
Kansas City Power & Lt. First 5s, 1944 (c)	95½	5.37
Laurentide Power Co. First 5s, 1946 (b)	94¼	5.65
Madison River Power Co. First 5s, 1935	99	5.13
Mississippi River Power Co., First 5s, 1951 (c)	93½	5.40
Niagara Falls P. Co. First & Cons. Mtge. 6s, 1950 (b)	100	6.00
Ohio Power First & Ref. 7s, 1951 (c)	104	6.65
Penn. Ohio Power & Lt. Notes 8s, 1930 (c)	101	7.80
Potomac Electric Power Gen. 6s, 1923 (c)	102	4.90
Puget Sound Power Co. First 5s, 1933	88	6.55
Salmon River Power First 5s, 1952 (c)	95	5.30
Shawinigan Water & Power Co. First 5s, 1934 (b)	99½	5.10
Southern Sierra Power Co. First 6s, 1936 (c)	96	6.37
S. W. Power & Lt. First 5s, 1943 (c)	89	5.90
West Penn. Power Co. First 7s, 1946 (c)	105	6.60

TRACTION COMPANIES

	Asked Price	Yield
Arkansas Valley Ry. L. & P. First & Ref. 7½s, 1931 (b)	100	7.50
American Light & Traction Notes 6s, 1925 (c)	107½	3.30
Bloomington, Dec. & Champ. Ry. Co. First 5s, 1940 (a)	75	7.50
Danville, Champ. & Decatur 5s, 1938 (a)	85	6.25
Georgia Ry. & Power 5s, 1954 (b)	87½	5.90
Kentucky Traction & Terminal 5s, 1951 (a)	82	6.37
Knoxville Ry. & Light 5s, 1946 (b)	84½	6.20
Milwaukee Light, Heat & Traction 5s, 1929 (a)	98	5.30
Milwaukee Elec. Ry. & Light 7s, 1923 (c)	102	4.93
Milwaukee Elec. Ry. & Light 7½s, 1941 (b)	103	7.20
Monongahela Val. Trac. Co. Gen. Mtge. 7s, 1923 (c)	100	7.00
Memphis St. Ry. 5s, 1945 (a)	80	6.70
Northern Ohio Trac. & Lt. 6s, 1926 (c)	99	6.20
Nashville Ry. & Light 5s, 1953 (a)	92	5.50
Portland Ry. P. & L. 1st & Ref. Ser. "A" 7½s, '46 (c)	103	7.24
Topeka Ry. & Light Ref. 5s, 1933 (c)	85	6.80
Tri-City Ry. & Light 5s, 1930 (c)	91½	6.25
United Light & Rys. Ref. 5s, 1932 (c)	84½	7.25
United Light & Rys. Notes 8s, 1930 (c)	104	7.05

TELEPHONE AND TELEGRAPH COMPANIES

	Asked Price	Yield
American Tel. & Tel. 5-Year 6s, 1924 (c)	101½	5.15
Bell Tel. Co. of Canada 1st 5s, 1925 (b)	96¼	6.50
Bell Tel. Co. of Canada 1st 7s, 1925 (b)	104	5.65
Bell Tel. Co. of Pa. 1st Refund. 7s, 1945 (c)	109	6.10
Chesapeake & Potomac Tel. Co. Va. 1st 5s, 1943 (c)	95	5.30
Home Tel. & Tel. Co. of Spokane 1st 5s, 1936 (c)	95	5.52
Western Tel. & Tel. Co. Coll. Trust 5s, 1932 (b)	97	5.35

* Investors should note that the "asked" price on a bond may vary from 1 to 5 points from the "bid," depending upon the activity of the security.

LACLEDE GAS 7s

Recent Developments Strengthen Position of the 7s of 1929 Which Appear to Have Been Overlooked

RECENT developments in the affairs of Laclede Gas Light Co. have been accompanied by a rapid advance in price on the part of the common stock which is listed on the New York Stock Exchange. The 7% ten-year Series A collateral and refunding bonds of 1929 appear to have been overlooked and have shown practically no advance in price since the recent declaration of a 7% annual dividend on the common stock.

At current selling price of 101 the 7% bonds are still at an attractive level and show a yield on the investment of close to 7% with the added feature that an element of speculation is involved, at no expense of the security, by reason of conversion privilege into common stock par for par. Bonds can be converted into common stock at any time to maturity. The common is now selling around 90 but with the recent restoration of the full $7 annual dividend rate, it does not seem far-fetched to look for the common to go above par and make the conversion privilege valuable. Up until 1917 when high operating costs reduced earnings, the common stock on an average sold above par.

The 7% bonds are preceded by an issue of only $10,000,000 first mortgage bonds and are redeemable at any time at 101. The issue can be classed as a good investment proposition.

Resumes Dividends

Considerable surprise was occasioned early in August when the board of directors resumed dividends on the common at the old rate of $7 annually. Reason for this is found in the earnings statement which was made public and showed net earnings for the first six months of 1922 of $4.32 a share or at an annual rate of $9 a share with indications that the last half of the year will be better than the first six months.

Comparison with other gas stocks paying 7% annually shows practically all of them selling above par. In pre-war days Laclede common stock had a high reputation as an investment issue, so that conversion privilege on the 7% bonds may soon become a valuable asset should the common continue to move up with other stocks of a like character.

American Trade with Europe

The United Kingdom is our best customer in Europe and in fact in the world, while Germany has risen to second place in Europe as a consumer of American goods. Our exports to Germany during 1921 exceeded by about $25,000,000 our exports to that country in 1913. The final 1921 figures for Germany will show ai increase in value over 1920. As compared with 1913, American exports to Italy in 1921 also shows a great increase.

Imports from Europe to the United States during 1921 was approximately $760,000,000, against $864,666,103 in 1913. American imports from France slightly exceeded in value those of 1913.

FOREIGN TRADE AND SECURITIES

(*Continued from page* 585)

a large extent this is so because the activities of the Government cross the daily life of the people at more points than we are accustomed to in America. A striking instance of this is the attitude of the people toward the energetic military policy of their Government. The hearty support which it has received from the great masses of the people is largely a political matter, or an international-diplomatic one, and individual questions that come up under it, such as the proposed occupation of the Ruhr valley in the event of the failure of Germany to pay its reparations obligations, are regarded from the distinctively European standpoint of international prestige, "la gloire de la France!" rather than from the American view-point, "What good will it do?"

Occupation of the Ruhr

For the fact remains that money to pay reparations with can be obtained only by the production and export of goods, and if France is to get more reparations from Germany by taking over the Ruhr industrial plants the only advantage it can gain is by operating these plants more intensively and efficiently and increasing their sales in foreign markets. Apart from the question whether the plants would really be more efficiently run by a French military supervising force than by German factory operators, it is quite certain that the main export competitors of Germany, the United States and England, would not allow themselves to be swept off the export markets of the world by a flood of cheap goods dumped on the market for what they would bring irrespective of replacement costs and rising production costs.

In case the Ruhr should be occupied, therefore, a step which would have the fullest consent and cooperation of the French people, matters would remain very much as they were before, unless the French forces of occupation should see fit to supply the German factories with cheap coal from the two millions a month delivered by Germany to the Allies under the Spa agreement, or should present them with raw materials, or otherwise do away with the obstacles to heavy production which are preventing those same plants from turning out enough export at the present time to pay reparations with.

This is a typical example of the futility of purely international-diplomatic methods of handling fundamentally economic questions. The fact that such occupation would tighten the "grip of France on the throat of Germany," to use Briand's forceful phrase, or would constitute a striking demonstration of the military prestige of France, would in nowise lessen the superb economic idiocy of the proceeding. Neither, unfortunately, does the complete irrationality of such an occupation, as measured by any realistic standards, lessen the probability that some such occupation will eventually be undertaken in a last desperate attempt to avoid the realities of the case, namely that the amounts recoverable from Germany are small in comparison to the French war expenses funded in the form of external debts, inter-Allied debts, internal debts, and floating loan, and that to the extent that the full payment of the latter is dependent on the full payment of the former, with all apologies for the ugly and unmentionable word, repudiation is on the order of the day.

It must be repeated that this analysis, though sanctioned and suggested by the work of such economists as Keynes, Hobson, Paish in England, Cassel in Sweden, Charles Gide (in some of his essays) in France, not to speak of most German economists, finds as yet little following among the leaders of France itself, and still less among the people of Europe.

The situation is clear-cut—the interests of France, for the various reasons aforesaid, demand a 100% execution of the reparations terms of the Treaty of Versailles and the agreements following it. A belief in the impossibility of such 100% execution would be unfavorable to these interests, hence, true or not, such a belief is rejected with only a casual or prejudiced examination of the reasons for it. The economists' dispassionate analysis of the situation, of course, has little or no influence against the combination of demagogic emotional appeal and economic interest, personal and national. In fact, there is only one thing that can make headway against the false views spread by this combination, and that is the compulsive logic of events themselves, which each day are showing how untenable the French position on reparations, and on Russia, really is.

CHESAPEAKE & OHIO RAILROAD

(*Continued from page* 596)

June 15, 1922. This is not a very encouraging condition and without doubt will seriously handicap the company in the handling of the increased business that is expected through the resumption of mining in the union fields.

With respect to the effect of the strike on the company's tonnage, it may be stated that inasmuch as the Chesapeake & Ohio serves non-union as well as union fields, the strike has not handicapped it as seriously as the roads in other sections of the country. The increase in traffic from non-union fields has been sufficient to more than counterbalance the decrease in traffic from union fields. There has also been a gratifying increase in other business, although, of course, on account of its relative smallness, fluctuations in this traffic do not affect gross to such a considerable extent as do those in the coal tonnage.

The general resumption of production

in union fields will not necessarily mean slackening of production in the non-union fields served by the Chesapeake & Ohio, because reserve stocks have been depleted so seriously as to justify maximum production. The extent of this depletion may be readily realized by the fact that production during the past three months has been only 50%, while consumption has been 100%. With the present activity in the iron and steel trade and other manufacturing plants, the demand for coal is rapidly increasing. The Chesapeake & Ohio will therefore be called upon soon to move perhaps the largest tonnage in its history. Unfortunately, the company's freight cars are not in as good order as they should be, and this situation is being aggravated still further by the shopmen's strike. More repair work will therefore be necessary, although of course this work will be done at the reduced wage rates that went into effect July 1st. Gross revenues will also be affected by the reduction in freight rates effective the same date. The traffic will be handled, however, at a lower operating ratio, because ordinarily only 60% of the expenses are directly affected by added tonnage.

Conclusion

Taking all of the above factors into consideration, it may be conservatively estimated that the company will show a net applicable to common of 12% for 1922. Of this, about 3% will be consumed for sinking funds on outstanding bond issues and other obligations, which, while not directly available for dividends, accrue to the benefit of the stockholder. This leaves 9% to meet dividend requirements and to apply to additions and betterments. On this basis, a 5% or 6% dividend not only would be conservative, but also justifiable in view of the desired exchange of convertible 5s and the concomitant decrease in fixed charges that would result thereby.

Besides affording the stockholder a higher yield, this increased dividend would give him a higher rated security, because, on account of the larger amount of outstanding capital stock brought about by the exercise of the conversion privilege under consideration, the ratio of the net applicable to the common stock would not fluctuate as widely as is now the case with the smaller amount of stock. In other words, the rate earned on the common would be greatly stabilized.

So much greater are the benefits that would accrue to the stockholder by the increase to 5% or 6% in the dividend rate than would be the case if this additional 1% or 2% were used exclusively for additions and betterments, that this increase in the near future appears practically certain.

As a matter of fact, the accumulation of the convertible 5s that has been going on during the past month would indicate that such action is being anticipated. For this reason purchase of the stock at present price, which is still some 10 points below the conversion parity, presents attractive possibilities of both enhancement in value and in an increase in the return.

Over-the-Counter

IMPORTANT ISSUES

Quotations as of Recent Date

Aeolian-Weber	..	— 15	Ingersoll-Rand	152	—160
Pfd.	30	— 60	H. W. Johns-Manville	430	— ..
American Piano	65	— 72	New Jersey Zinc	142	—146
Pfd.	82	— 87	Niles-Bement-Pond	48	— 50
American Type Founders	52	— 56	Phelps-Dodge Corp'n	155	—170
Atlas Portland Cement	58	— 64	Royal Baking Powder	105	—110
Babcock & Wilcox	118	—120	Savannah Sugar	45	— 49
Borden Co.	100	—102	Pfd.	90	— 93
Bucyrus, pfd.	94	— 97	Singer Mfg. Co.	93	— 95
Celluloid Co.	90	— 97	Smith Corp'n, A. O.	18	— 20
Childs Co.	109	—112	Pfd.	80	— 85
Crocker Wheeler	50	— 60	Thompson-Starrett	58	— ..
Jos. Dixon Crucible	134	—138	Ward Baking Co.	103	—107
Gillette Safety Razor Co.	*222	—225			

* Listed on N. Y. Curb Exchange.

A Favorable Drawback

ADVISE a man to invest in an over-the-counter stock and, more times than not, he will offer the objection that the security does not enjoy what might be termed a "popular market"—meaning that it is comparatively inactive, little talked of and seldom quoted in the financial press.

Actually, this very fact that the over-the-counter market is not a popular market is one of the chief arguments in its favor. It results in unusual opportunities. As previous articles have shown, highest-grade investment securities will frequently be found here selling at even ridiculously low prices, largely because their position is not constantly in the public eye and the opportunities they offer not generally known. Were these securities watched incessantly and talked about, "written-up" and analyzed to the extent that listed securities are, such bargains would undoubtedly appear far less frequently.

The A. O. Smith Corporation

A stock which the over-the-counter department believes worthy of careful consideration is A. O. Smith Corporation, preferred.

A. O. Smith represents an organization formed eighteen years ago as one of the first companies to engage in the manufacture of pressed steel shapes. With the growth of the automobile industry, the company developed into the manufacture of automobile parts, including drop forgings, frames, axle housings, etc. It has a large, well-equipped plant on the St. Paul main line, just outside of Milwaukee.

A. O. Smith is not a large concern, as concerns go nowadays. Its capitalization consists of:

Issue	Authorized	Outstanding
6% notes	$3,300,000	$3,300,000
7% cum. pfd., par $100	3,000,000	2,649,000
Common, no par	100,000 shs.	100,000 shs.

The smallness of the company's capital charges, however, make its earnings quite large by comparison. Thus, results for the three years 1918-1920, inclusive, showed *in thousands* as follows:

	1918	1919	1920
Net profits	$929	$782	$958
Other inc.	121	....	....
Total inc.	1,049	782	958
Fixed charges	....	....	*286
Balance	1,049	782	622
Pfd. dividend	203	190	182
Sinking fund	169	118	98
Surplus	677	474	392

* Includes $120,838 tax reserves.

These earnings, figured on a per-share basis, show an average of slightly more than 31% earned on the preferred stock for the period. Actually, 1918's returns exceeded 37%, 1919's exceeded 29% and an even 26% was earned in 1920.

Most of the company's customers, including such concerns as Studebaker, Dodge, Stutz, Mitchell, etc., did nothing like the business in 1921, of course, that they had done in previous years. The result was a sharp decline in A. O. Smith's returns. The year's end found the company with a final annual surplus of less than $6,000. Earnings on the preferred were 7.4%, or just a shade above dividend requirements. Any profit at all, however, was concededly good, under the circumstances.

In recent months, the business of the A. O. Smith Co. has shared in the automobile recovery. The outlook is for continued activity at the plant. Smith has fixed sinking-fund requirements which go into operation on October 1st, calling for $250,000 each six months which will reduce the margin available for the preferred. However, there seems little doubt that the dividend will be amply covered.

Quoted 80-85, over-the-counter, to yield from 8.75% to 8.25%, the preferred appears an interesting opportunity, and its undoubted speculative features are lessened by the safeguards, including a sinking-fund clause, with which the issue is surrounded. While the full facts concerning the company's more recent operations will not be available for publication for some few weeks, the belief is held that stockholders will not be disappointed.

BOND OPPORTUNITIES FOR SHREWD INVESTORS

(Continued from page 590)

there are several underlying bonds which have paid their interest throughout the Receivership and are in a very sound invetsment position. One issue that appears to be thoroughly sound from an investment standpoint and to have excellent prospects for a substantial market appreciation is the Brooklyn Union Elevated Railroad Company First Mortgage 5s of 1950.

These bonds are authorized in amount of $16,000,000, of which $15,967,000 are outstanding. They are secured by a first mortgage on about 19½ miles of elevated railroad structure, together with equipment and several parcels of real estate. In addition, the bonds are secured by a second mortgage on all the properties of the Kings County Elevated Railroad Company, subject only to the $7,000,000 Kings County Elevated First 4s of 1949, which properties consist of about 16½ miles of elevated structure, including a private right of way 8½ miles long and 50 feet wide running from central Brookly to Coney Island, as well as valuable real estate.

City Contract

The Brooklyn Union Elevated Railroad Company and the Kings County Elevated Railroad Company were merged in 1900 to form the New York Consolidated Railroad Company. Under a contract with the City of New York the elevated lines of the New York Consolidated Railroad System are operated in direct conjunction with the city-owned subways of the New York Municipal Railway Company. The terms of this contract provide that the net earnings of both the elevated and subway lines are to be "pooled," and the first charge against these combined net earnings, being ahead of everything else, is the interest on the Kings County Elevated 4s of 1949 and the Brooklyn Union Elevated 5s of 1950. The interest, as well as the principle, of these two issues has, in fact, been adjudged by the Court as being a prior claim to $16,000,000 of Receivers Certificates.

For the ten months period ended April 30, 1922, the net earnings available for interest charges, as provided under the contract, were as follows:

Net Earnings—		
10 months to April 30, 1922...		$5,395,330
Interest on:		
Kings County El. 4s..	$233,333	
Bklyn Union El. 5s...	665,282	898,625
Times earned..................		6.03

These earnings, it will be noted, show a very wide margin of safety over the requirements of the two bond issues mentioned. In fact, there has never been a time, including the period of the Receivership, when the interest on these bonds was in the slightest danger.

The Brooklyn Union Elevated 5s have paid their interest regularly and

without interruption since issuance in 1899. They are listed on the New York Stock Exchange, where present quotations are in the neighborhood of 84, yielding about 6.20%. The bonds are exceptionally well protected by assets and earning power. They are unquestionably out of line, being sentimentally depressed by the B. R. T. receivership, but as soon as the receivership is definitely removed the Brooklyn Union Elevated 5s should record a substantial market appreciation.

Other Industrial Issues

The farmers were among the first to feel the full effects of the readjustment period that commenced its ravages over the closing months of 1920. Prices of farm products fell off at a rapid rate and in many instances the individual farmer not only failed to make a profit on his crops but his receipts even fell below his expenses. One leading economist gave out an estimate about a year ago that the purchasing power of our farmer population had been reduced by about six billion dollars owing to the drastic declines that had taken place in farm products. As a result, many farmers found themselves deep in debt and unable to pay for fertilizer, seed, equipment, and other items that they had purchased on credit.

Fertilizers

Consequently, those industries directly dependent in selling their products to the farmers suffered very severely. The chemical fertilizer industry was one that was especially hard hit as it was not only unable to make new sales but it found itself unable to collect a large portion of its accounts receivable.

The fertilization of farm lands, however, cannot be put off indefinitely. It is, so to speak, cumulative, and where it is neglected one year the next succeeding year calls for double the quantity or the lands will not come up to their full state of productivity.

Virginia-Carolina Chemical Co.

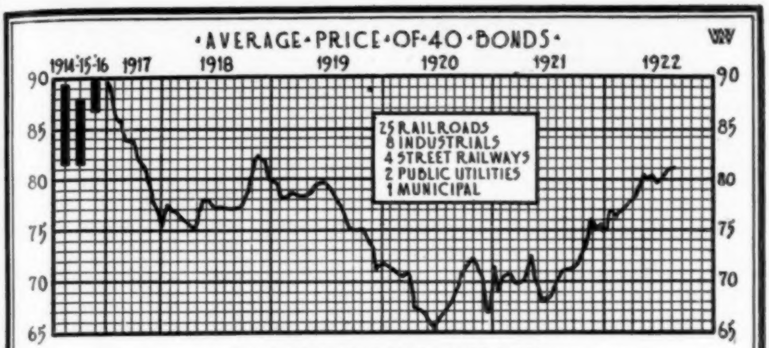
Virginia Carolina Chemical Company was dealt a severe blow. For the fiscal year ended May 31, 1921, operations resulted in a deficit of over $13,000,000, and after all charges the reduction of surplus amounted to $18,784,000. For the fiscal year to May 31, 1922, however, net income, before interest charges, amounted to $1,684,780. While these earnings were far from being wholly satisfactory, the improvement over the preceding year is highly significant. Excepting for the fiscal year to May 31, 1921, the company has a long record of successful operation, dating from 1895, and there is every reason to expect satisfactory results from now on.

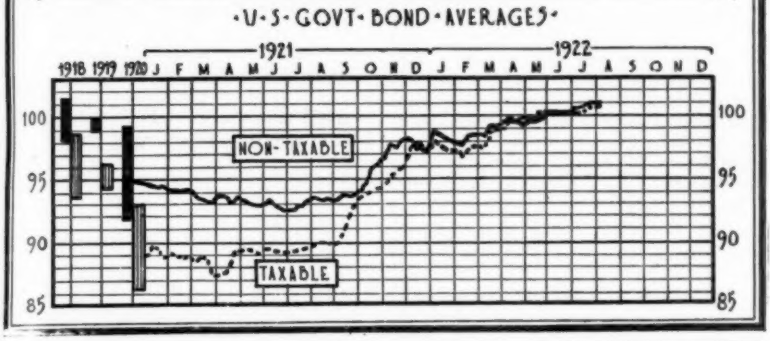
The company has recently issued $22,500,000 First Mortgage 25-Year 7% bonds and $12,500,000 15-Year 7½% Convertible Bonds. The purpose of the two issues was to retire existing funded debt (two issues of which matured in 1923 and 1924) and to provide additional working capital. Both issues have been listed on the New York Stock Exchange, where each is selling at the present time at about 98.

The First Mortgage 7s may not be redeemed under 107½ up to June 1, 1932 and thereafter at 105 to June 1, 1942, decreasing 1% each year thereafter to maturity. The Convertible 7½s carry subscription warrants entitling the holder to purchase voting common stock at $35 per share at the rate of 2 6/7 shares for each $100 principal amount of bonds and after July 1, 1924, bonds (provided the purchase option has not been exercised) are convertible into common stock at the rate of $35 per share. **Both of these issues offer attractive speculative investment opportunities at the present price.**

IMPORTANT DIVIDEND ANNOUNCEMENTS

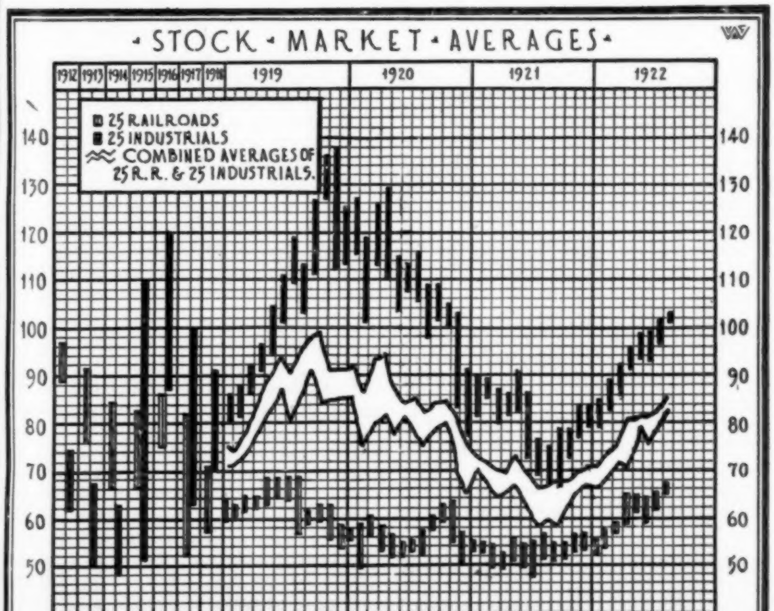
Ann. Rate		Am't Declared		Stock Record	Payable
$3	Amer Bk Note pfd..	75c	Q	9-12	10- 2
$6	Amer B Sugar pfd.	$1.50	Q	9- 9	10- 3
$4	Amer Radiator com.	$1.00	Q	9-15	9-30
$6	Amer Sm Sec pfd A	$1.50	Q	9-15	10- 1
$5	Amer Sm Sec pfd B	$1.25	Q	9-15	10- 1
$7	Beth Steel 7% pfd.	$1.75	Q	9-15	10- 2
$8	Beth Steel 8% pfd.	$2.00	Q	9-15	10- 2
$5	Beth Steel c A & B.	$1.25	Q	9-15	10- 2
8%	Brooklyn Edison...	2%	Q	8-18	9- 1
$8	Burns Bros com A.	$2.00	Q	8- 1	8-15
—	Burns Bros com A.	50c	Ext	8- 1	8-15
$2	Burns Bros com B.	50c	Q	8- 1	8-15
$6	C'land El Ill pfd...	$1.50	Q	9-25	11- 1
$9	Delaware & Hudson	2¼%	Q	8-28	9-20
$3	Deere & Co pfd...	75c	Q	8-15	9- 1
$8	Diamond Match....	$2.00	Q	8-31	9-15
$3	Elkhorn Coal pfd..	75c	Q	9- 1	9-11
$6	Federal Lt & Tr pfd	$1.50	Q	8-15	9- 1
5%	Gen Asphalt pfd...	1¼%	Q	8-15	9- 1
7%	Gen Cigar pfd.....	1¾%	Q	8-24	9- 1
$7	Goodrich B F pfd..	$1.75	Q	9-23	10- 3
$7	Hartmann Corp....	$1.75	Q	8-18	9- 1
7%	Illinois Central com	1¾%	Q	8- 4	9- 1
$1	Inland Steel.......	25c	Q	8-10	9- 1
$7	Inter Harvester pfd	$1.75	Q	8-10	9- 1
$2	Lee Rub & Tire...	50c	Q	8-15	9- 1
12%	Liggett & Myers c.	3%	Q	8-15	9- 1
12%	Lig & Myers c B..	3%	Q	8-15	9- 1
$2	Manhat Shirt com.	50c	Q	8-14	9- 1
—	Manhat S c (stk)..	2½%	—	8-14	9- 1
—	Marland Oil.......	$1.00	ini	8-31	9- 1
$8	May Dept Stores..	$2.00	Q	8-15	9- 1
$7	Natl Cloak & S pfd	$1.75	Q	8-25	9- 1
$7	Natl Enameling pfd	$1.75	Q	9- 0	9-30
$6	Natl Lead com....	$1.50	Q	9-15	9-30
$7	Natl Lead pfd.....	$1.75	Q	8-25	9-15
$5	NYChi&StL 1st pfd	$1.25	Q	9-19	9-30
1¼%	NYChi&StL 2nd p.	1¼%	Q	9-19	9-30
$7	Norfolk & W com..	$1.75	Q	8-31	9-19
10%	North Amer Co com	2½%	Q	9- 5	10- 2
6%	North Amer Co pfd.	1½%	Q	9- 5	10- 2
8%	Penn Coal & C com	2%	Q	8- 7	8-10
4%	Penna Railroad....	1%	Q	8- 1	8-31
$4	Phila Traction.....	$2	SA	9- 9	10- 2
—	Piggly-Wig Sts c A	$1	—	8-15	9- 1
$7	Pitts Steel pfd.....	$1.75	Q	8-15	9- 1
$6	Pitts & W Va pfd..	$1.50	Q	11- 1	11-29
7%	Pitts Y & Ash pfd.	1¾%	Q	8-21	9- 1
$7	Pressed Stl Car pfd	$1.75	Q	8- 8	8-29
6%	Quaker Oats pfd...	1½%	Q	8- 1	8-31
4%	Reading 1st pfd....	1%	Q	8-29	9-14
8%	Sharp Mfg com....	2%	Q	8- 2	8-22
$8	Southern P Line...	$2.00	Q	8-15	9- 1
8%	Standard M com...	2%	Q	8-21	8-31
6%	Standard M pfd...	1½%	Q	8-21	8-31
$4	Standard Oil of Cal	$1	Q	8-19	9-15
$4	Standard Oil of Ind	$1	Q	8-17	9-15
$16	Standard O of N Y	$4	Q	8-25	9-15
8%	Standard S Mfg c..	2%	Q	8- 3	8-15
—	Standard S Mfg c..	2%	Ext	8- 3	8-15
8%	Stern Bros pfd.....	2%	Q	8-15	9- 1
10%	Studebaker Corp c.	2½%	Q	8-10	9- 1
—	Studebaker Corp c..	1½%	Ext	8-10	9- 1
$7	Studebaker Corp pf.	$1.75	Q	8-10	9- 1
8%	Thompson-Star pfd.	2%	Q	9-20	9- 2
10%	Tampa Electric....	$2.50	Q	8- 3	8-15
$10	Underwood T com.	$2.50	Q	9- 2	10- 1
$7	Underwood T pfd..	$1.75	Q	9- 2	10- 1
$7	Union T C c & pfd	$1.75	Q	8- 5	9- 1
8%	United C Sts com..	2%	Q	8-15	9- 1
7%	United C Sts pfd..	1¾%	Q	8-31	9-15
$2	United Rys & El c.	50c	Q	8-15	8-30
5%	U S C I P & Fy pf	1¼%	Q	9- 1	9-15
5%	U S Steel com.....	1¼%	Q	8-29	9-29
7%	Van Raalte pfd....	1¾%	Q	8-18	9- 1
$7	White J G Eng pfd	$1.75	Q	8-15	9- 1
6%	White J G pfd.....	1½%	Q	8-15	9- 1
$7	White J G Mgt p..	$1.75	Q	8-15	9- 1
$1	Wright Aero Corp.	50c	Q	8-15	8-31





MARKET STATISTICS

	N.Y.Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	Dow, Jones Avgs. 20 Rails	N.Y.Times 50 Stocks High	N.Y.Times 50 Stocks Low	Sales
Monday, July 31..........	81.21	97.05	88.98	84.50	83.42	740,758
Tuesday, August 1.........	81.21	96.25	88.35	84.38	82.99	680,575
Wednesday, August 2.....	81.39	96.51	88.46	83.92	82.84	561,162
Thursday, August 3.......	81.45	96.81	88.65	83.97	83.09	575,095
Friday, August 4...........	81.40	97.11	88.55	84.21	83.30	558,250
Saturday, August 5.........	81.42	97.03	89.18	84.37	83.78	261,550
Monday, August 7..........	81.41	97.37	89.79	85.14	83.98	562,151
Tuesday, August 8..........	81.61	97.07	89.43	85.41	84.04	749,338
Wednesday, August 9.....	81.63	96.93	89.43	85.13	84.01	600,627
Thursday, August 10......	81.55	96.51	89.60	85.06	83.96	567,685
Friday, August 11..........	81.54	96.82	89.58	85.19	84.51	546,698
Saturday, August 12......	81.50	89.32	97.06	85 27	84.54	282,925



"SWITCHING" INTO THE STRONG INDUSTRIES

(*Continued from page 597*)

fore seem advisable to take profits on Studebaker and either use them to reduce costs on lines of stock held at a paper loss, or else re-invest the money obtained by the sale of Studebaker in an industry which has not seen its best season, for the time being, as yet.

American Car & Foundry would seem to fill the specifications in this respect. Whatever the strikers or the railroad executives may say about it, the shopmen's strike has certainly not done the equipment of the roads any good, and it is more likely than not that the repair business of the equipment companies, which alone is enough to pay dividends on American Car and Foundry common, will show an increase rather than a curtailment.

Business booked by April, at the beginning of the new fiscal year, was substantially higher than in the year before, much foreign business is being done, particularly with China and South America, and the company has expanded into new lines of business, such as the manufacture of talking machine cabinets, washing machines, and interior decorating work. All profits made on these lines of business may be regarded as "velvet," as also profits accruing from the expected great increase in railroad equipment buying once the roads are again in financial position to engage in it.

The great point of attraction about American Car and Foundry is its rock-ribbed financial strength. It has a working capital of $125 a share, of which cash and security holdings account for $103. Surplus amounts to $120 a share, apart from a fund of $10,800,000 set aside in 1919 to secure the 12% dividends on the common and which has not been touched through two years of depression. Book value amounts to $256 a share.

The company has never issued a stock dividend and is most eminently in position to do so, though no definite rumors to this effect are known. Its earnings for the last three years have been respectively $14.94, 21.50 and 27.67, and this after its really great sources of profits during the war from shell contracts had stopped.

On the basis of great promise for the future, remarkable financial strength, huge values behind the common and a demonstrated earning-power in peace and war, prosperity and depression, American Car and Foundry, paying $12 annually, looks cheap in the present market at 172, where it yields about 7%, roughly the same as Studebaker, with advantages in the stability of its business, banking position, security of dividends, and outlook for greatly increased earnings in the immediate future which are greatly superior.—M. G.

Goodrich Tire Into Cuban-American Sugar

GOODRICH TIRE common, selling at about 37, pays no dividends and has paid none since Feb., 1921, when it paid $1.50 in a year that was to close with a deficit of 22 millions. The year before it had paid $6 a share and earned some 4 cents. While to some extent liberality was justified by the big boom-time earnings, it was singularly ill-chosen as to time.

Prevailing conditions in the tire industry are not particularly pleasant; each new cut in prices delays further the resumption of dividends on the common. The peculiar thing is that in the highly competitive tire market nobody is cutting down production to any noticeable extent. Goodrich has, in fact, increased its production faster in the last three months than either Goodyear or Firestone, its nearest rivals at Akron. It is commonly believed that Goodrich is cutting prices even below the official cuts in an effort to get rid of its production, and that the margin of profit is extremely slim.

Ahead of the common, of no par value and of which 1½ million shares are outstanding, are 20 millions of bonds, issued a few weeks ago to refund notes, and 37 of preferred stock. The latter pays $7 and sells for 86, giving a yield of 8.17. At this rate the common should yield 10%, or pay $4 a share, which is what it paid in its palmiest days except for the one year, 1920.

While it is true that the company may pull out of its present mess and the tire industry of the country stop its present policy of cut-throat competition, the fact remains that the best part of the year is direcly behind the company instead of directly in front of it; that its stocks of crude rubber and finished tires, though we are assured they are kept small, are declining in value every day, and that the stock for a non-dividend payer with slight hopes is selling too high.

CUBAN-AMERICAN SUGAR, selling around 26, looks to us a more attractive proposition in all respects. It is engaged in an industry which is making great progress and has all the statistical elements in its favor for an upward move. Sugar is scarce because of the great revival in foreign demand and the large domestic consumption in the first half of this year, running at the rate of 120 pounds a head, while the amount of sugar left to us for the rest of the year is at the rate of 60-odd pounds a head. This means that either our consumption will decline, or, what is more likely, prices will advance to the point where it will be profitable to bring in sugar from far-distant sources of supply or else rebuy the sugar which we have sold to European customers.

Even without any further increases in the price of raw sugar, Cuban companies are in a position to make considerable profits, not as big as in the great boom years, but still well above normal. Cuban-American in particular is so well managed that in proportion to capital invested it produces more sugar than almost any other producer, and its earnings record has been of the very best; in 1919 it earned $68 a share on the old stock of $100 par value, and the next year, the stock having been changed to $10 par value, it earned nearly $12 a share, or about $116 on the old stock. It has 9 millions of bonds and 10 of preferred

ahead of less than 8 of common, a situation which lends itself to unusually high earnings on the stock in times of prosperity, though it is true that in times of depression the top-heavy financial structure imposes a correspondingly heavier burden on the junior shares. For the time being, however, the industry is facing a period of renewed prosperity and Cuban-American, as a low-cost producer and an active stock marketwise, should fully share in the benefits of this movement. At its present price of 2[illegible] it has done relatively little to discount its favorable prospects for the future, and its technical position is exceedingly strong.—A. T.

U. S. Rubber Into Baltimore & Ohio

United States Rubber common stock, at present price of 59, appears unattractive when compared with many other securities. In 1921 the company had a very disastrous year, showing a deficit after dividends and reduction of inventory to market prices of over seventeen million. As of December 31, 1921, the floating debt was thirty-six million. Although the plants of the company have been operating close to capacity a very good report is not anticipated this year, one reason being the recent price cuts in tires and another the big decline in the price of crude rubber, of which this company is a large producer. These unfavorable factors will undoubtedly prevent the resumption of dividends on the common stock, especially in view of the large floating debt. Anyone holding this stock, therefore, should consider the advisability of switching into some other security with better immediate prospects.

A good switch is Baltimore & Ohio common, selling around the same price. This road has developed a remarkable earning power this year. Earnings for the first six months were at the annual rate of $15 a share on the common stock, allowing for seasonal variations in earnings. Of course the effect of the coal strike may reduce the final figures somewhat, but it is safe to say that the former dividend rate of $6 on the common will be covered with a substantial margin to spare. Before March 1, 1923, B. & O. must resume dividends at a rate of at least $4 a share on the common stock in order to keep its bonds legal for savings banks and trust companies. In view of the earnings the early establishment of $4 dividends seems practically assured. On a $4 basis the stock should sell materially higher, as it would be regarded in the light of a prospective $6 payer, which rate it maintained in the years 1907-1914 inclusive.—F. L. K.

United Drug Into Great Northern

United Drug common stock, selling at about 80, looks high for a non-dividend paying security. The reason for this high price is the confidence of investors in the future prosperity of the company. It operates a large number of Liggett's-Riker-Hegeman drug stores in the United States and Canada and sells through these stores and numerous agents medicines, toilet articles, rubber goods and

druggists' sundries which it manufactures. It has a well-rounded organization and up to 1921 was able to show a substantial earning power. There is every reason for believing that the company will show profitable operations in the future but at present price of 80 the stock appears to have already discounted a good deal of the anticipated better earnings.

In 1921 United Drug reported a deficit, after paying dividends, of nearly four million, the poor showing being largely due to depreciation in inventory, and as a result the common dividend was passed in September. In order to carry its large inventory $14,800,000 8% bonds and notes were put out in 1921. For the first quarter of 1922 $0.23 was earned on the common stock. Better earnings are anticipated for the balance of the year, but as the company has sinking fund requirements of nearly $700,000 per annum to meet any immediate resumption of dividends is unlikely.

While the stock undoubtedly has long pull possibilities it would seem advisable to switch into a dividend-paying security in view of the uncertainty as to how long dividends may be held up. A switch into Great Northern preferred at 88 is, therefore, recommended. This road has undoubtedly turned the corner as regards earnings. Directors recently declared a semi-annual dividend of 3½%, and with the outlook very encouraging for still better earnings the 7% dividend rate can now be regarded as reasonably secure. In the past Great Northern has sold at a higher price than United Drug stock ever reached and up to 1917 always maintained a level well above 110 a share, never failing to at least cross 125 each year. By making this switch an immediate return on the investment is secured and possibilities for appreciation in value of the principal appear to be greater than in the case of United Drug.—F. L.

SUGAR OUTLOOK ENCOURAGING

(*Continued from page* 586)

1922 has compared in this respect with the years immediately preceding:

EXPORT OF REFINED SUGAR

Year	Long Tons
1916	379,112
1917	232,800
1918	38,878
1919	355,234
1920	341,226
1921	188,772
1922	665,660

Effect on Prices

The record-breaking absorption within the United States, the heavy shipments of raw sugar from Cuba to European and other foreign countries (which amounted to July 29 to 1,067,517 long tons) and the larger export movement of refined from this country have worked together to convert a threatened heavy surplus of sugar to a possible shortage of supplies from the sources which ordinarily supply the American market, so that imports of full duty paying sugar from other countries are counted a possibility before the end of the year. This change in the outlook naturally has not been without its influence upon the price of sugar itself and upon the market's estimate of the value of sugar securities. The accompanying graph shows the steady upward movement of sugar prices since the beginning of the year which carried the duty paid price of raws from 3.36 cents a pound at the end of December to 5.485 cents on August 3. This represented a rise in the New York cost and freight price of Cuban raws from 1.75 cents to 3.875 cents or more than 100 per cent. At the same time wholesale quotations for refined sugar rose from 4.80 cents to 7.10 cents a pound.

Considering that prices at the beginning of the year just about equalled the cost of production of the best located sugar companies and were actually below the cost figures of the great majority of producers, the rise that has taken place in six months has changed the prospective showing of the sugar companies on their balance sheets for the year from the anticipated deficit to a comfortable and in the case of some companies a very handsome surplus. This has been reflected in a general advance in the current quotations for sugar stocks which in the case of the common shares of some of the largest producing companies has amounted to 100 per cent.

Conclusion

From the view-point of the investor a more important change in the sugar situation even than the transformation that has taken place in the past six months is found in the outlook for next year and probably for two or three seasons following.

Taking into account the stocks carried over on January 1 the world's supply for 1923 will be less by roundly 1,500,000 tons than available stocks for 1922. More than a million tons of this difference will be accounted for by Cuba while the beet-sugar crop of the United States is estimated at 300,000 tons below that of last year and the cane crops of Porto Rico and Santo Domingo are almost certain to be short as a result of drouth. The only quarter of the globe in which an increased production is anticipated is in Europe and that is estimated at 400,000 tons. **The world's sugar crop is still a million tons or more below its normal average in the years just before the world war and with demand constantly increasing there is every reason to look forward to the ready absorption at profitable prices of all the sugar that can be produced for the next several years to come.**

MONTGOMERY WARD — NATIONAL CLOAK & SUIT

(*Continued from page* 602)

ment in earnings and better outlook, although it is not without possibilities as a long-pull speculation.

NATIONAL CLOAK & SUIT

National Coak & Suit Co. retails by mail, wearing apparel of almost every kind and description as well as merchandise. Its business has shown a steady growth in sales every year since organization in 1914, with the exception of 1921, showing a substantial increase over

the preceding year. The volume of business in the current year has been highly satisfactory and sales in the first quarter were only slightly below the best quarter on record. In the years 1921 and 1920 the company suffered a loss of nearly five millions, but additional money was raised by the issuance in 1920 of a five-million note issue, due 1930, so that its working capital is unimpaired. Inventories are down to a low figure and the financial position is excellent at the present time, with over two million cash on hand and no bank loans.

On the basis of present capitalization earnings of the company's two best years, 1916 and 1917, were equivalent to $11 a share on the $12,000,000 common stock outstanding, after deducting bond interest and preferred dividends. In view of the fact that sales this year are running far ahead of the sales in 1916 and 1917 it is quite likely that just as large profits will be shown, although the margin of profit at the present time is smaller.

Dividends on the preferred stock were maintained throughout the period of depression and in view of the sound financial condition and large business now being done it would appear that common dividends could be resumed in the near future. At present price of 49 the common stock can be regarded as being very attractive from a long-range investment view-point.

THE BUSINESS SITUATION AT A GLANCE

(*Continued from page* 581)

hand side of each large group. It is evident that not all influences exert precisely the same importance on the general situation. Therefore each group should be rated differently according to the influence it exerts in the general scheme of things. It is, of course, patent that objection may be raised as to the weight given to each factor. In general, however, the scheme as outlined seems satisfactory. By multiplying the percentages of the constituent elements of each group by the weighting factor we arrived at the total number of points to which each group is entitled. For example, multiplying the total number of unfavorable points in the group, money and interest, which is equal to 105 by the weighting factor of this group, which is 30, the total number of unfavorable points applicable to this group is 3,150 (see graph). Each group has been worked out the same way.

The grand total on the unfavorable side is 10,812½, and on the favorable side, 21,187½. The percentage indicated by the unfavorable factors is 33.79% and by the favorable factors 66.21%. In other words, the tendency in favor of better business and higher security prices is about twice as strong as those operating on the reverse side. In the writer's estimation no clearer indication can be had that in general the tendency is upward, though to be sure this estimate will require modification as circumstances command.

THE THREE LARGEST AMERICAN PAPER COMPANIES

(Continued from page 599)

Paper is dependent upon general prosperity.

Its products are used in a wide range of industries and hence its business is quick to feel the alternation of depression and recovery. For many years American Writing Paper, while not specializing in export trade, has done a good business abroad. In 1919, foreign business was particularly large with exports 300% in excess of 1918. This continued well into 1920, but in 1921 fell down to very low levels and was not a factor of importance. During 1919 South American countries in particular were large purchasers of heavy grades of paper.

Before 1914, Germany had the upper hand in South America but was displaced by American manufacturers during the war. Irrespective of Germany's ability to resume her place as a factor in South America, the countries there are in no position to buy largely of the products made by American Writing Paper. Furthermore, it looks now as though recovery there would be slow and, inferentially at least, it may be said that foreign business is not likely to be a factor of immediate importance.

Variations of Earnings

For all the wide diversity of products and the recognized position of the company to supply the needs of many different industries, American Writing Paper has not done well and has not been a profitable enterprise to stockholders. For several years prior to the war earnings were neither consistent nor substantial. Perhaps the best way to emphasize that is to point out that at the present time there are 150% in dividends accrued upon the 7% cumulative preferred stock. In fact, since organization in 1899 only 6% has been paid upon preferred stock.

The prosperity occasioned by the war naturally was of decided benefit and 48½% was earned upon the preferred stock in the five years 1916-1920, inclusive; but, as the table will show, even during that period there was not an even trend to operations. Net earnings jumped about erratically and did not conclusively show that the abnormal business conditions had given the senior stock a permanent boost on the way to an investment standing. Following the years of relatively good business there was a deficit of two million dollars in 1921. The culmination of business came really in November, 1920, when American Writing Paper had twenty-eight million pounds of paper on unfilled orders. Then came the slump, inevitable cancellations, with the result that inventories were almost seven million dollars at the end of 1920. The following year, 1921, was a year of liquidation, readjustment and enforced economy, but there were some compensating results. As of December 31, 1921, inventories had been reduced to below four million dollars, current liabilities went down from four and one-half millions to less than one and one-half. While working capital at the end of 1921 was approximately two millions less than at the end of 1920, the smaller total really represented a sounder and cleaner position.

Current Business

Soon after the beginning of the current year business began to improve and mills were operating at 80% of capacity at the end of the first quarter compared with 60% for the corresponding period of 1921. The improvement in the volume of business was commensurate with the general recovery which took place in most of the industrial lines and in a way was recognition of the direct influence which general industrial conditions have upon American Writing Paper's position. The company, however, in the past year and a half has undergone a drastic period of business readjustment, and while the road to improvement is opening up it is perhaps too early to state definitely that the company is entirely in the clear. Bond interest is probably being earned but there is no information as to whether or not current operations are large enough to show any measurable surplus for the preferred shares.

It seems to have been the case that in the past American Writing Paper was too loosely put together. The combination of mills was not compact enough, not tightly enough woven. There was also too large a proportion of overhead expense to the volume of business done. In 1919, however, the management undertook to tighten up, to bring down overhead, to increase efficiency of operation, and otherwise to map out a program designed to get the best results from the business done. The depression of last year speeded up that program. It does seem, however, that the company has not made the most of its possibilities. It commands from 25 to 30% of the total output in its field and in point of size is the leader. But standing out is the fact that only during the time of abnormal business was it possible for the corporation to exhibit any encouraging results.

Question of Readjustment

During the 1919-1920 period it was thought that there might be some attempt to formulate a plan of financial readjustment which would provide for the accumulated dividends upon the preferred stock. The business depression destroyed these hopes and in face of the readjustment period which still continues it does not seem plausible to assume that the management will soon think of financial reorganization. The amount of preferred stock outstanding is twelve million and one-half and the amount of dividends owed is approximately eighteen million and three-quarters. The present amount of bonds outstanding is less than ten millions. Thus, the funded debt, the amount of preferred stock and the amount of dividends owned thereon total over forty million dollars. The net sound value of the twenty-six mills and other physical equipment as of December

31, 1921, was fourteen million seven hundred thousand dollars. This is simply real estate assets and does not include good-will, current assets or profit-and-loss surplus.

Conclusion

The present funded debt of nine million two hundred and ninety-three thousand dollars is represented by an issue of first mortgage 6% bonds due 1939. These bonds are an absolute first mortgage on all the property. They are well secured. During the last ten years the bond interest has been earned every year except 1921, that is, interest figured on the present basis. These bonds are now selling at a price where the direct income return is 7%. They are not in the ranks of the high-grade issues but are a good business man's investment.

Preferred stock is in an outright speculative position but has some possibilities, inasmuch as the business improvement is continuing. It is also likely that when the general recovery gets to the point where operations are in full swing there will be renewed discussion of the accumulated dividends.

The nine millions and one-half common stock is in an unfavorable position. Judged by the earning record there is too much ahead of the junior shares, and in addition to the outstanding bonds and preferred there is the matter of the accumulated dividends on the senior stock. In short, the common stock does not look particularly attractive from any angle.

UNION BAG & PAPER CORPORATION

Shares Appear Attractive

Union Bag & Paper is officially declared to be the largest maker of paper boxes in the United States and able easily to supply double the output of its nearest competitor. Naturally in a business of this kind and size the question of raw material supply is primary and ownership of timber lands is as important as it is to a company like International Paper with its great bulk of newsprint output. Union Bag & Paper owns the St. Maurice Paper Company which is located in Canada and which owns some two thousand square miles of timber limits. Union Bag & Paper owns five hundred square miles and the total holdings assure at least a thirty-year supply of pulp wood. This does not mean that Union Bag & Paper is oblivious to the open market for pulp wood, for the company when it can advantageously do so purchases the raw material and in that way further extends the life of its own timber reserves.

Earnings—Past and Present

In its present form Union Bag & Paper was incorporated in 1916 and the earnings record from 1917 to 1920, inclusive, is more than satisfactory. Naturally the time and conditions during that period were unusually propitious to large earnings. There was the general change in business during 1921 although the company was able to conduct its operations

during the year at seventy-five per cent of normal output. Manufacturing profits, however, owing to unstable operating and price conditions were small, so that net earnings were less than three per cent upon outstanding stock. The curtailment in net profits caused the company to reduce the dividend rate from eight to six per cent. Information concerning current earnings is rather scarce, but in the first quarter of the current year income available for interest and taxes was at the rate of about one and a half million dollars annually. This would indicate roughly that the stock in the first three months of the year earned at the annual rate of between seven and eight per cent before Federal taxes. Without any definite figures to prove the statement, it would seem not illogical to infer that earnings in the second quarter of the year were continued at a relatively satisfactory rate and that, therefore, indications point to an earning power this year of a size large enough at least to cover the current dividend with some margin to spare.

At the end of 1921 Union Bag & Paper had bills payable of two and a half million dollars, an item which had not appeared upon the balance sheet for several years previous to that date. Early this Spring the company took occasion to sell six and a half million first mortgage six per cent twenty-year bonds, and with the proceeds paid off the floating debt, retired an issue of two million first mortgage 5s which were not due until 1930, and also furnished additional working capital. As a result of this financing current assets were almost six million dollars and current liabilities about three-quarters of a million dollars, making assets more than seven and three-quarters times current liabilities and incidentally strengthening the financial condition to an adequately safe point.

While there are no details as to operating conditions, it is known that the wage reduction put into effect in 1921 was designed to cut the payroll some five hundred thousand dollars annually. Early in 1921 a second wage adjustment was made which resulted in a further annual payroll cut of over two hundred thousand dollars. The total of these wage reductions is equivalent to between four and five per cent on the fifteen million dollars outstanding common stock.

Conclusion

The six and a half million first mortgage 6s due 1942, sold early this Spring, are well protected by the value of physical property and by earning power. In addition, the position of the bonds is further protected by provisions restricting the declaration of cash dividends unless assets shall exceed liabilities by certain specified amounts. The bonds appear to be a good investment security, although they are not very active. They were originally offered at ninety-seven and a half.

The common stock is usually inactive and is not a stock to purchase for a quick turn and, ordinarily, is not a practicable stock in which to trade on any scale. The six per cent dividend seems reasonably well secured, and the shares are attractive at their current share sare attractive for investment at their current price of 60.

TRADE TENDENCIES

(*Continued from page* 618)

but the movement has not been as rapid as in other years. Output of passenger cars and trucks for the month of July will probably run a little over 200,000 vehicles which compares with the record total of 288,000 cars produced in June.

Buying is still reported in sufficient volume to maintain operations at the factories near capacity and indications are that production schedules will not suffer sharp reduction much before September. With the slowing down of demand, the motor companies are catching up with deliveries which fell far behind during the period of peak sales. Many concerns are still one or two months behind orders in certain models.

Barring unexpected complications on account of the coal and rail strikes, manufacturers anticipate business for the third quarter will run about three-fourths of that for the second three months of the year. Automobile makers generally were well informed with respect to the seriousness of the coal strike and are adequately supplied with reserve stocks of coal in consequence. A possible source of difficulty, however, lies in the steel situation. Since the steel mills must take their chances with other industries in the matter of securing fuel supplies under the Interstate Commerce Commission's priority rulings, there is the serious possibility that sharp restriction of steel-mill output will cut off the motor industry's supply of raw material.

AUTOMOBILE PRICE COMPARISONS

	Record High	Record Low	Present Price
Studebaker—			
Light "6"	$1,485	$975	$975
Buick "6"	1,795	985	1,195
Chandler	2,095	1,295	1,495
Chevrolet	820	490	525
Pierce Arrow	8,000	5,000	5,250

With the passing of the season of most active demand, practically every important maker with the exception of Ford has reduced prices within the past few weeks. Many companies have undoubtedly been compelled by competition to meet the reductions of fellow producers and the general scale of prices is now at the lowest point since 1916 and in some cases quotations are even lower than in that year. Whether buying will be greatly influenced by these reductions cannot be foreseen while the industry is still in the unsettled state. A significant feature of recent cuts has been the relatively heavier reductions in closed car models which, it is hoped, will be in larger demand.

The outbreak of a price-cutting war is not expected to develop as a result of lowering quotations at this time. Profits of the motor industry must, of necessity, be smaller in the second half year as a result of lighter output and reduced selling

prices, but the stronger companies should continue to earn satisfactory profits.

STEEL

Production Suffers

The outlook for the steel industry remains clouded by continuation of the coal strike, now in its fifth month. Operations are slowly being lowered as the struggle to maintain output against declining supplies of fuel and raw materials becomes increasingly unequal. Buying is adversely affected, since consumers are unwilling to enter new commitments in the face of uncertain deliveries and prices. Purchasers are, furthermore, having their own troubles in maintaining production schedules against short supplies of fuel which adds to the unwillingness to seek new steel tonnage.

Settlement of the coal strike cannot be expected to be followed by any immediate change in the steel situation since fuel must first be supplied to the railroads and other interests on the priority list of the Interstate Commerce Commission. A decline in output of pig iron and steel figures for the month of August may therefore be anticipated.

Prices of steel products are very well maintained in spite of the present strained situation as producers steadfastly refuse to depart from their established policy of preventing undue advances. Pig iron, on the other hand, is feeling the effect of scarcity as the total of banked blast furnaces steadily increases. Further advances in pig-iron quotations seem probable, as demand is rather heavy, but steel prices are likely to be held within narrow limits, more especially since demand shows a disposition to await more settled conditions.

With the immediate future of the steel industry so closely related to developments in the coal fields, it is apparent that any attempt to forecast the near future by trend would be equivalent to guessing the outcome of the coal strike. This much appears certain, however, continuation of the strike for an indefinite period would result in serious reduction of operations at the steel mills, while early ending of the difficulty should simply result in an accelerated demand for tonnage when order is restored.

METALS

Copper in Strong Position

The statistical position of the red metal has been steadily growing stronger as production has failed to come up to earlier expectations and consumption, according to June figures, is running 40 million pounds ahead of output. Buying for export continues in moderate volume while domestic demand remains steady. The copper industry has not been affected to any great extent by the mining and transportation strikes beyond a possible retardation in demand from consumers who are unwilling to purchase while current uncertainties continue.

The situation with respect to the labor supply at the mines is gradually improving but production does not appear to be in any hurry to catch up with demand. Prices have recovered from the reaction of several weeks ago when quotations eased off to 13¾ cents a pound after having moved rapidly forward to the 14-cent level under the stimulus of heavy buying. The price level has since been firmly maintained at the high mark and the persistency with which sellers hold to their quotations indicates confidence in the future. Considering the growing strength of the statistical position it is apparent that the foundation is being laid for a substantial advance in prices.

Zinc is the feature of activity in the non-ferrous group. Shipments since the first of the year total 2,036,180 slabs, compared with 1,566,690 during the same period last year. Stocks of zinc were down to 20,000 tons, estimated, as of August 1, or less than a 20 days' supply, and further reductions have undoubtedly occurred in the meantime. With production held down to a minimum the position of this metal has shown progressive improvement since late last year and the movement of prices to new high ground well above six cents a pound is an acknowledgment of the strong position. tion.

Lead is in active demand and prices are firm. Visible supplies of tin decreased 2,064 tons during July, leaving supplies in sight at 21,502 tons.

RUBBER

Tire Industry Unsettled

There is very little doing in the crude rubber market and nothing to indicate any very material change in the situation. Prices, which have been fluctuating within a narrow range for several weeks, lately developed some weakness, probably due to prospects for a lessened demand from the tire industry over the balance of the season. Attempts of producing interests to formulate plans for restriction of output and control of the industry have been uniformly fruitless.

With production of crude rubber continuously in excess of demand, stocks piling up and American manufacturers especially well supplied, the outlook is decidedly unpromising. Excepting those companies having large investments in rubber plantations, the unfavorable outlook for crude rubber is of no great concern to the tire companies, aside from the fact that an adequate supply of cheap raw materials is to their advantage.

The tire makers appear to be having their troubles in other directions, however, as intense competition is again in full swing. Production has continued at a high rate and the July output from the Akron district broke all records for the industry. Daily production of 107,000 tires compares with an output of 85,000 casings some seven weeks ago. Sales

have not yet manifested a tendency to fall off, as is usual at this season of the year, but it is probable that manufacturing schedules will call for a slowing down before long.

Despite the well sustained demand for tires, inventories have reached substantial totals. Price cuts have become general as one maker after another has fallen into line with new price lists to meet quotations of competitors and quotations are now at the lowest levels in years.

The effect of lower quotations for their products and smaller volume of sales over the last half of the year is likely to be reflected in reduced margins of profits. The outlook for the tire companies generally seems uncertain in the light of present unsettlement and sharp competition.

MACHINERY

Future Prospects Good

Second-hand machinery, which has been coming into the market during recent months in sufficient quantity to disturb the sale of new equipment, is now becoming scarce, as manufacturers are increasing operations and find it necessary to maintain their plant capacities under the renewed demand for their products.

Orders for machine tools are largely for single units, as they have been for a considerable period, but the aggregate volume of these purchases reaches a respectable total, and the continued inflow of inquiries is indicative of a large potential demand, which must eventually be translated into actual business. The outlook for heavy machinery is slowly improving, and as industrial activity increases, the call for better plant facilities should be reflected in a more active market for this type. Meanwhile, the current demand is slow.

Generally, equipment in the hands of dealers is moving into consumption at a fair rate and excess inventories are being converted into cash. The current activity in the steel and automobile industries is a considerable factor in the machine tool trade and breaking up of the textile strike should bring requests for equipment from this direction. The railroads have not been very aggressive in the shop equipment field, but orders for rolling stock show no present indication of falling off.

After the long period of restricted buying in the agricultural regions, farm equipment has been very much run down and the farmers are now in urgent need of all kinds of new machinery. With the farmer receiving better prices for this year's crops, his purchasing power should be greatly restored, so that the prospects for sales of farm implements are quite promising. Although the full force of this buying is more likely to be felt after harvest time, tractors are already in strong demand and the leading maker of low-priced machines is unable to keep up with orders.

THE GRAVITY OF THE COAL SITUATION

(Continued from page 587)

checked until the supply fails. United States Shipping Board has eighty-five per cent of its vessels equipped to use oil, while the conversion of foreign vessels to oil since the close of war, has been phenomenal.

However, the oil interests in the United States have at the present time, 250,000,000 barrels of oil in storage. Figuring that it takes four forty-two gallon barrels of oil to perform the same service as a ton of coal, we find in this oil accumulation at the moment, a substitute for 62,500,000 tons of coal, or equivalent to the estimated surplus of bituminous in this country when the miners laid down their tools.

If the worst comes to worst, this oil surplus would see us through about ten or twelve weeks, in connection with our present output of bituminous from non-union mines, if it were feasible and if sufficient equipment could be provided to burn it as needed.

The change of equipment has been the principal deterrent that has kept many homes and industries from changing over to oil.

The Labor Situation

In the present controversy over a readjustment of mine and railway labor, the union officials have outwitted coal and railroad executives in most every instance. It would appear from a review of the happenings of the past four and one-half months that the mine union officials gave as much thought and preparation to the present strike as Kaiser Wilhelm and his aides gave to the campaign for the world war.

Nobody dreamed the Germans would invade Belgium. Coal men never dreamed the union would invade non-union fields in Pennsylvania and West Virginia that have always heretofore been adamant against union dictation, but they did.

Notwithstanding all this, non-union production had grown from 3,500,000 tons per week, during the first month of the strike, to around 5,350,000 tons per week in June. If this increase had been maintained up to the present time, the miners' union would have been whipped.

But the strike of the railway shopmen turned the tide in favor of the striking miners.

Non-union miners in territory served by the Norfolk & Western, Chesapeake & Ohio, Virginian and Louisville & Nashville roads, kept increasing their output. Tonnage records were broken each week until July 1st, and then, whether by concerted action on the part of the mine and railway unions or by the hands of fate alone, these roads found it impossible to supply empty cars to the mines in the quantities needed, and moreover, to move cars already loaded. As statistics show, these four roads, moving the great bulk of the non-union coal being produced, ceased overnight to function, and coal

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Twentieth edition revised to date, gives 1921 financial statements, dividend rates, price ranges 1914-1922, descriptions of properties, etc. (219)

THE COTTON MARKET

A résumé of the cotton market, and conditions in the cotton goods trade, giving all statistics and trade outlook for these commodities. (220)

AUGUST INVESTMENT SUGGESTIONS

A circular listing suggestions in bonds, preferred stocks and dividend-paying common stocks; also listing their ratings, issued by a New York Stock Exchange firm. (221)

"THIRTY-SIX QUESTIONS FOR INVESTORS TO ASK OF THEMSELVES"

A series of tests to be applied to securities held or in contemplation. (222)

DIVIDENDS

GUANTANAMO SUGAR COMPANY

The Board of Directors has this day declared a dividend of $2.00 per share on the Preferred Stock, Full Paid Subscription Receipts, for the quarter ending September 30, 1922, payable September 30, 1922, to stockholders of record at the close of business September 15, 1922. The transfer books will not be closed.

GEO. H. BUNKER, Treasurer.

New York, August 8, 1922.

production in consequence dropped approximately two million tons per week. Was it conspiracy among the unions that these roads have suffered most, or was it just dumb luck?

Last week's report of production shows about 4,250,000 tons of coal mined, an improvement over the early weeks of July, but still some 1,200,000 tons short of the weekly record reached in June.

The railroad executives of other more favored roads, saw nearly five weeks after the trouble had occurred that the salvation of the country lay in keeping coal mined and moved. So they began sending workmen to help out these key coal-carrying roads. Will it be too late?

Both the coal industry and the railroad industry lack in generalship.

What is needed, for the coal industry particularly, is a generalissimo, an industrial Foch.

Is there such a person?

Securities and Commodities Analyzed in This Issue

SINCLAIR CONSOLIDATED OIL CORPORATION

(*Continued from page* 613)

the company was not held to be in an over-secure position.

Trouble in 1921

The results scored by the Sinclair organization, while enormous when considered alone, suffered by comparison with the company's capitalization. Thus, in the first year of the new company's existence, gross earnings of nearly $77,000,000 were produced, resulting in a balance available for the shareholders of over $9,500,000 for the year. In the second year, the gross business was more than doubled—reaching in excess of 166 million dollars, and the balance for the shareholders rose to $17,795,000. These admittedly immense earnings, however, became less impressive when figured out on a per-share basis, the company's results in 1919 amounting to only $2.55 per share of common stock, and $4.74 in 1920.

On top of this apparent inability to live up to its capitalization in two boom years, there came the terrific business slump in 1921, which left Sinclair with a deficit of nearly $7,000,000, after depreciation and depletion charges. The sages were more than ever convinced of the doubtful nature of the undertaking.

Recent Results

Results achieved by the Sinclair Co. since the turn came in oil affairs, however, have served to dissipate doubts as to the management of the company, its policy and earning power. Recent months have not only witnessed the more than partial fulfillment of some of the most extensive Sinclair undertakings, but the corporation's earnings appear to have definitely turned the corner and its outlook may be characterized as excellent.

Chief in the later developments has been the entrance of Standard Oil of Indiana into Sinclair affairs through the purchase of a half interest in the Chicago pipe-line system installed by Sinclair in the face of considerable criticism shortly after the company was formed. When present financing, relating to this development, is completed, the transaction will bring over $16,000,000 into the Sinclair organization. The Indiana Co. has also entered into an agreement with Sinclair relating to an important oil-purchase contract involving the Sinclair Crude Oil Purchasing Co., a subsidiary. These are the chief incidents marking Standard Oil interest in Sinclair affairs, and are held to reflect a growing relationship between the two organizations.

Another important development has been the realization of a large sum from investments made in Mexican properties, which have demonstrated the Sinclair management to be one of the most sagacious among the quasi-independents.

Perhaps of chief importance has been the recovery in the company's business results, indicating a really enormous increase in the balance to be shown for the current year. In the first quarter of 1922, earnings were returned at the rate of $18,000,000 annually, as contrasting with earnings of less than $11,000,000 for the full year 1921, and the trend at the close of the quarter was toward substantially higher figures. This development has been recognized by the management of the company, which recently inaugurated cash dividends on the common shares.

Conclusion

The conclusion reached from investigation of the Sinclair enterprise is that the immense corporation is rapidly getting into its stride, and in view of its great resources and invaluable trade connections should be a large earner from now on. There seems little likelihood that results will exceed common dividend requirements in the current year, and an increasingly satisfactory balance should be available later on.

Available in the stock market are the first lien collateral trust 7s, due 1937, selling at 99, to yield well over 7%. These bonds have an A-1 security backing, interest requirements are amply covered, and they are the best industrial issues now available at such a yield.

Almost equally attractive is the company's preferred stock, which is an 8% cumulative issue, of which only a tiny amount is outstanding ($322,400) and is offered at par (100) in the present market. The speculative element is not present in any degree in this issue, and it appears attractive as a business man's investment.

The common stock, on a $2 annual basis, offers a yield of about 6.66%, which is a reasonably good yield in view of the company's possibilities, and now may be regarded as one of the most attractive of the lower-priced oil issues from a long-range view-point.

An Interregnum in Our Banking System

President Harding's failure to name a Governor of the Federal Reserve Board leaves that body, for the first time since its organization, without a titular head. The Vice-Governor may act on ordinary matters but there can be no decision of issues of large policy until the active executive head of the organization is named. This is much to be regretted. True, the Federal Reserve System is now relatively inactive, so far as direct aid to the commercial banks of the country is concerned, yet there can be no certainty that it may not at any time be called upon for some unexpected and unusual service. It has, moreover, many urgent duties which could not be performed during the disturbed financial period that ended not long ago, and which call for less conspicuous but nevertheless active effort. The sooner the President ends the present uncertainty—and ends it wisely by naming an able man as governor—the better the financial and business world will be pleased.